

SUSTAINABILITY REPORT

2022



Kerry Logistics
Network Limited

0636.HK

(Incorporated in the British Virgin Islands and continued
into Bermuda as an exempted company with limited liability)



OUR CORE VALUES

VOICE

VALUE CREATION We create real value for our clients, employees and shareholders through innovative solutions, rewarding careers and financial growth. **OPENNESS** We believe in true openness and transparency throughout our company. Our management actively encourages open communication and dialogue at every level of the organisation. **INTEGRITY** Our business is built on integrity. We follow clear ethical guidelines and strictly enforce them throughout the company. **COMMITMENT** As a service provider we are committed to the success of our clients. We are fully dedicated to all projects and assignments we take on. We are also committed to our employees' career development and to meeting shareholders' expectations. **EXCELLENCE** We believe in excellence and practise a continuous process of improvement and innovation.



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(computer-processed image)

THE ONE · IN ASIA

COMPANY OVERVIEW

KLN AT A GLANCE

Kerry Logistics Network Limited, incorporated in the British Virgin Islands and continued into Bermuda to become an exempted company with limited liability, the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 636) (“KLN” or the “Company”) and its subsidiaries (the “Group” or “KLN Group”) is an Asia-based, global 3PL with a highly diversified business portfolio and the strongest coverage in Asia. It offers a broad range of supply chain solutions from integrated logistics (“IL”), international freight forwarding (air, ocean, road, rail and multimodal) (“IFF”), e-commerce and express (“E&E”) to industrial project logistics and infrastructure investment.

With a global presence across 59 countries and territories, KLN has established a solid foothold in half of the world’s emerging markets. Its diverse infrastructure, extensive coverage in international gateways and local expertise span across the Mainland of China, India, Southeast Asia, the CIS, Middle East, LATAM and other locations.

QUICK FACTS



59

countries & territories



43,000+

employees worldwide



66M ft²

land & facilities



6,700+

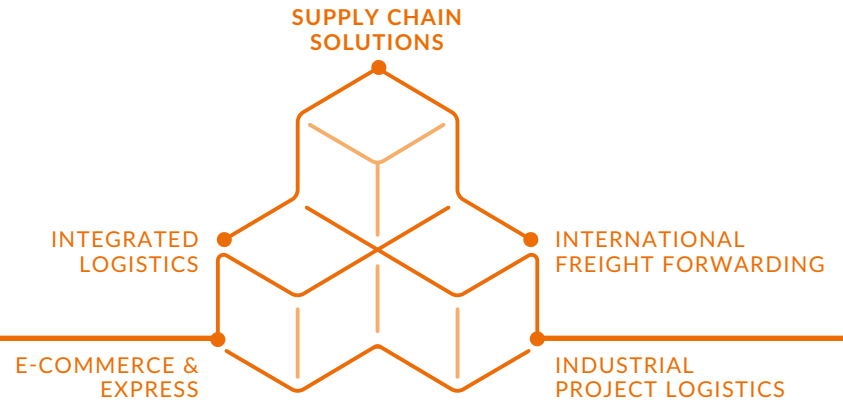
self-owned operating vehicles



Note: Figures as at 31 December 2022

COMPANY OVERVIEW

OUR CORE SERVICES



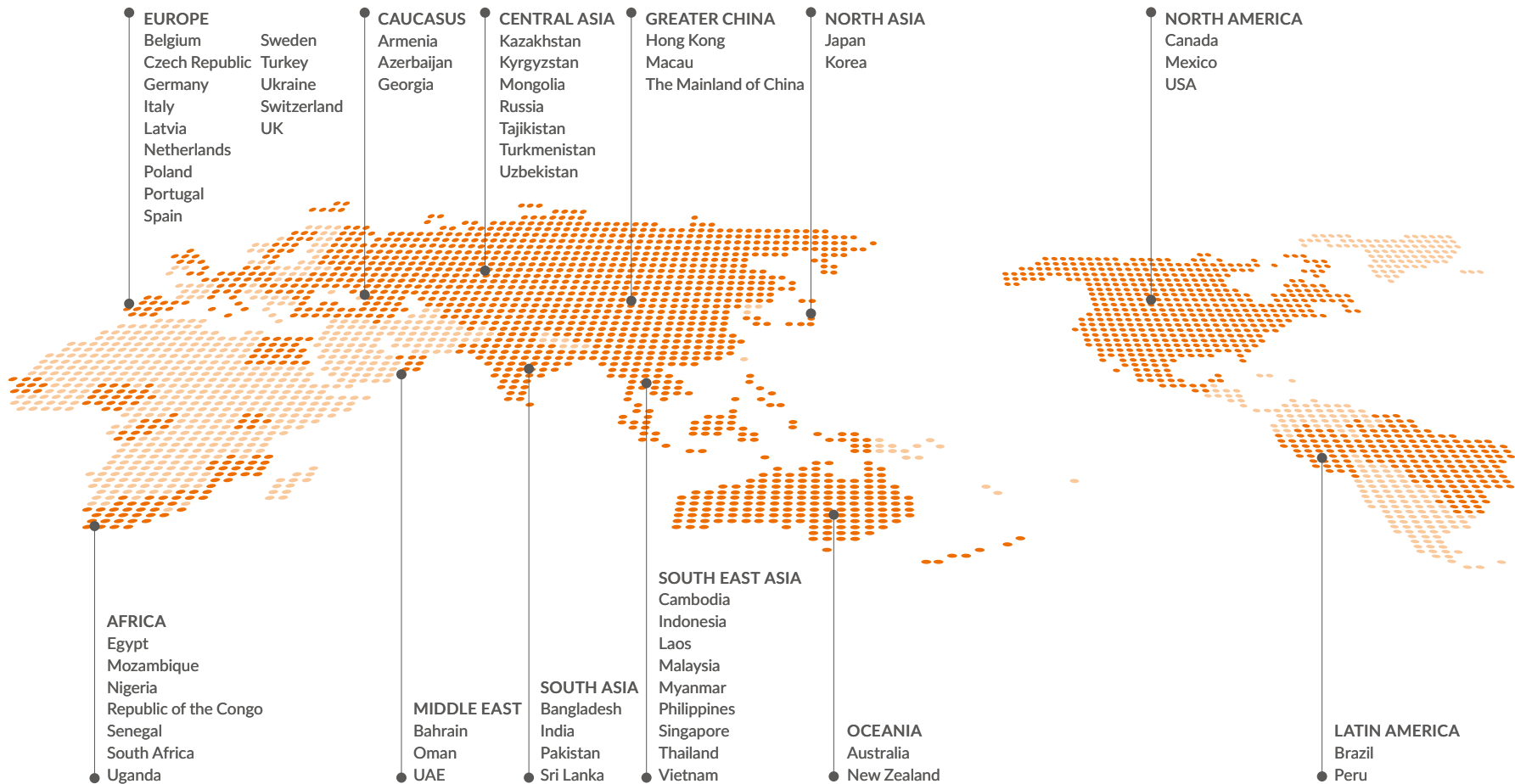
END-TO-END SOLUTIONS WITH HIGH SUPPLY CHAIN EFFICIENCY



COMPANY OVERVIEW

GLOBAL FOOTPRINT

ASIA'S LEADING 3PL WITH A GLOBAL PRESENCE



Note: Figures as at 31 December 2022

COMPANY OVERVIEW

FINANCIAL HIGHLIGHTS

HK\$M

REVENUE 86,649 10%* ▲	SEGMENT PROFIT IL 1,375 E&E (826) IFF 4,703 28%* ▲ N/A 3%* ▼	CORE OPERATING PROFIT 4,790 12%* ▼	
CORE NET PROFIT 3,572 11%* ▲	PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS 3,579 8%* ▲ 55%▼ STATUTORY	FINAL DIVIDEND <i>HK CENTS PER SHARE</i> 38	GEARING 48.3% <i>GROSS</i>

*For continuing operations only

FOCUS

SUSTAINABLE LOGISTICS SOLUTIONS IN ACTION

Following the unveiling of the Group's Sustainability Vision Statement in 2021, KLN continues to embrace three key sustainability principles in its corporate strategy and operations: Commitment, Action and Transparency.

In order to further the Group's aim of long-term value creation for its stakeholders, and drive responsible business growth, KLN seeks to continuously improve its performance, measured against six sustainability pillars: People, Environment, Customers, Business Ethics, Supply Chain and Community.

Customers, Business Ethics, Supply Chain and Community. These sustainability principles and pillars support the Group's business objectives and growth strategy as KLN continues to evolve as Asia's leading 3PL.

THREE PRINCIPLES & SIX PILLARS

COMMITMENT

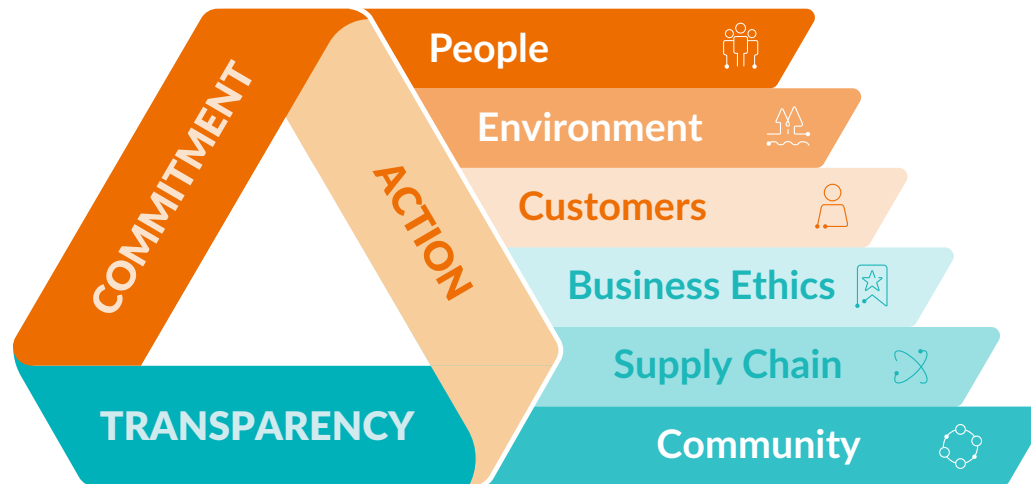
Making long-term commitments and setting near-term targets to address global challenges

ACTION

Taking tangible action

TRANSPARENCY

Communicating the Group's approach to sustainability in a transparent manner



FOCUS

BOARD STATEMENT

Dear Stakeholders

During a year shaped by international political and economic challenges and the aftermath of the pandemic affecting global trade, 2022 saw the Group navigate a demanding landscape and continue to accelerate towards a net zero world. Amid a challenging environment for ESG development, particularly in the Asia Pacific region, we are encouraged with the steady progress towards our sustainability vision.

BUILDING ON A STRONG FOUNDATIONS

Our journey towards better sustainability practice is ongoing and we are proud to have made significant strides since we began disclosing our performance metrics in 2013. Over the years, the Group has laid a solid foundation for sustainable growth. The Board oversees a robust sustainability governance structure, supported by the Sustainability Committee and Risk Management Committee. Meanwhile, a dedicated Sustainability Action Teams work closely with frontline operational teams and business partners to execute the Group's ESG strategy.

ADVANCING CLIMATE RESILIENCE

Following our public commitment to achieve net zero emissions by 2050, we continue to explore the

“

Sustainable Logistics Solutions in Action remains at the heart of our steadfast progress, and will continue to guide our direction and ESG targets in the pursuit of making our operations greener.”

expansion of data collection relating to our Scope 3 greenhouse gas (“GHG”) emissions. To add a further layer of integrity, we will apply the framework of the Task Force on Climate-related Financial Disclosures (“TCFD”) to our assessment of potential climate-related risks and opportunities. We continue to increase the use of renewable energy and alternative fuel vehicles, and are the first logistics operator to begin using 5.5-tonne electric trucks in Hong Kong. We have launched a Sustainability Procurement Policy Statement and demonstrate our ongoing commitment to identifying green innovations by exploring solutions such as bio-plastics and passive radiative cooling technology in order to further minimise our environmental footprint.

A COMMITTED FOCUS ON PEOPLE

The Group places an unwavering focus on its people, who continue to remain its utmost priority. The WE KARE Caring Platform was launched in 2022 to prioritise the wellbeing of its employees. It encompasses initiatives spanning fitness, wellness, work-life balance, family and community. As we transform and grow, we place the highest importance on maintaining the health and safety of our working environments, in addition to investing the necessary resources to promote meritocracy, diversity, and inclusion in our workplace and beyond.

Through these actions, the Group continues to support the Ten Principles of the United Nations Global Compact (“UNGC”) in the areas of human rights, labour, environment and anti-corruption. With this sustainability report acting as our annual Communication on Progress (“COP”), we re-emphasise our commitment to incorporating the UNGC’s principles within the Group’s strategy, culture, business operations, and day-to-day activities, as well as reaffirming the Group’s support for broader developmental goals.

We will continue to pave the way towards further strengthening our sustainability commitments and putting them at the heart of our strategic goals. Our achievements would not be possible without the support of our employees, customers and partners. We will continue to uphold and share our values with our stakeholders, collaborating with them to achieve our future successes in advancing sustainable logistics solutions.

Board of Directors

28 March 2023

FOCUS

2022

KEY HIGHLIGHTS



Strategy and Governance

- Establishment of Sustainability Committee
- Developing a 3-year approach to enhance TCFD disclosure
- Secured 1st Sustainability-Linked Loan

OUR SIX PILLARS



People

- Recruited **78** interns and trainees from **8** countries / territories, of which **54%** are male and **46%** female
- Launched the WE KARE Caring Platform
- Strengthening our diversity through inclusive recruitment



Business Ethics

- Reached **all** employees with anti-corruption and cybersecurity training
- Upgraded cloud storage to enhance data management performance, stability and security



Environment

- **1st** user of 5.5-tonne electric truck in Hong Kong
- HK **1st** Natural CO₂ and ammonia refrigerator saved **15%** electricity during its trial period
- Continuing study of energy saving innovations



Supply Chain

- Reached **100%** of key suppliers to promote our business code of conduct
- Launched the Sustainable Procurement Policy Statement
- Shared best practice with partners



Customers

- Increased productivity by **20%** with implementation of auto-sorting robots
- Deployed more AGV robots to improve efficiency
- Utilised AI technology to enhance accuracy



Community

- Handled approximately **300,000** products under by our community reintegration programme
- Advanced the Volunteer Service Scheme

ACCREDITATIONS



Climate Change Score **C**



A



A-

AWARDS

JADE AWARD BEST SUSTAINABILITY TEAM

The Asset ESG
Corporate Awards 2022
The Asset Magazine



ESG LEADING ENTERPRISE AWARDS

ESG Leading
Enterprise Awards 2022
Bloomberg Businessweek/
Chinese Edition



ESG BENCHMARK AWARDS - SILVER AWARD OUTSTANDING SUSTAINABILITY AND DIVIDEND GROWTH AWARD

ESG Achievement Awards
2021/2022
Institute of ESG & Benchmark



TRANSPORT AND LOGISTICS - SILVER AWARD

2021 Hong Kong Awards for
Environmental Excellence
Environmental Campaign Committee



BEST ESG

2022 All-Asia (Ex-Japan) Executive Team
(Overall Small & Midcap) -
1st Place (Transportation Sector)
Institutional Investor

BEST IN SECTOR: INDUSTRIALS BEST ESG MATERIALITY REPORTING (SMALL TO MID-CAP)

IR Magazine Awards - Greater China 2022
IR Magazine

10 YEARS PLUS CARING COMPANY

The Hong Kong Council of
Social Service



CERTIFICATE OF EXCELLENCE IN ENVIRONMENT, SOCIAL AND GOVERNANCE REPORTING

2022 Best Annual Reports Awards
The Hong Kong Management
Association



SOCIAL ENTERPRISE SUPPORTER 2022

Fullness Social Enterprises Society

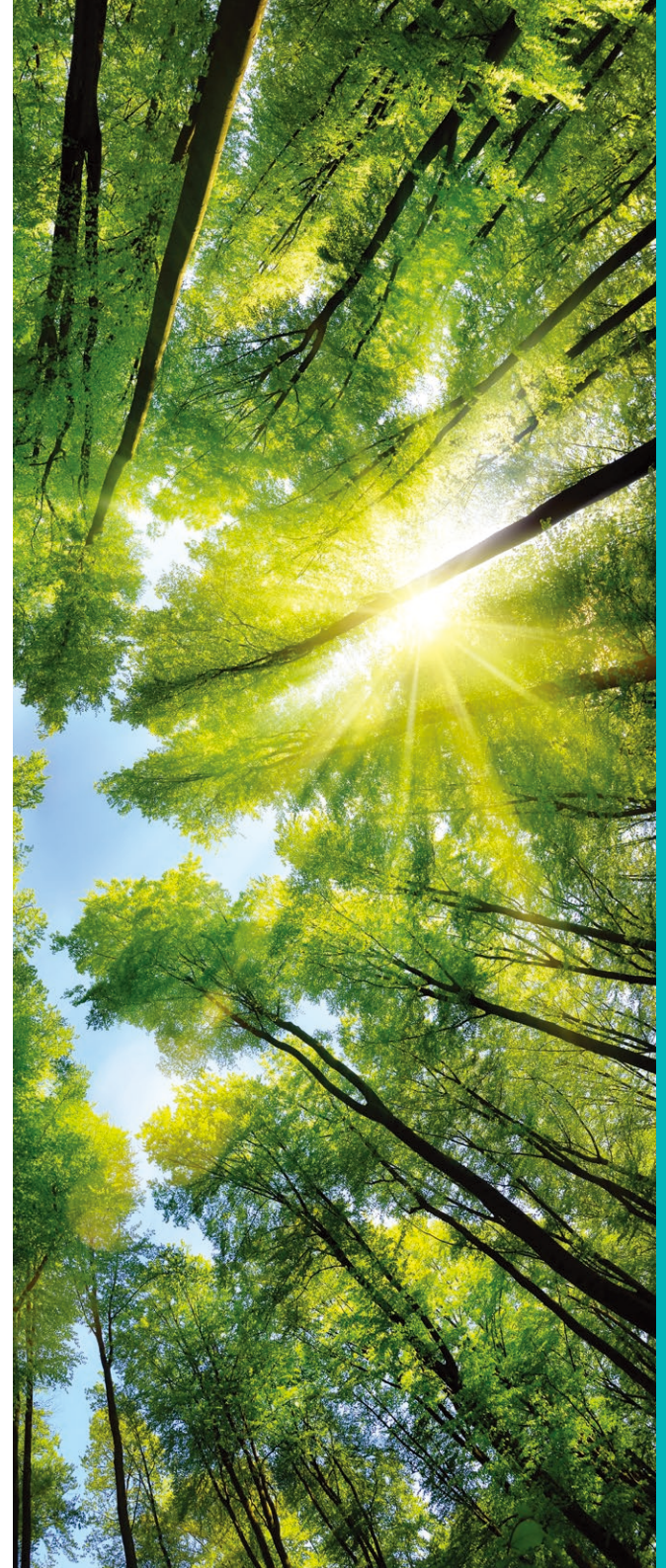


STRATEGY

SUSTAINABILITY FRAMEWORK

Unprecedented challenges posed by the pandemic, climate change and the global economy mean sustainability integration and the effective implementation of a sustainability framework grows ever more critical to the Group's strategy to future-proof its business. The Group's sustainability framework was built in alignment with leading international sustainability and reporting standards to help guide the delivery of sustainable logistics solutions. The framework incorporates the Ten Principles of the UNGC into the goals and strategies it sets for KLN business units, with the ultimate aim of taking strides towards the United Nations Sustainable Development Goals ("UN SDGs") targets which the Group has identified as a priority.

KLN's key principles of Commitment, Action and Transparency, alongside its responsibility to holding itself accountable to people and the planet, means the Group is committed to operating in line with its sustainability framework. The Group fulfils its obligation to transparency by disclosing its sustainability progress through annual sustainability reports and UNGC Communication on Progress disclosures. Adhering to the framework ensures the Group meets its duties as a responsible corporate citizen, weathers global disruption, and maintains its pursuit of long-term and sustainable growth.



SUSTAINABLE LOGISTICS IN ACTION

THREE PRINCIPLES

COMMITMENT, ACTION & TRANSPARENCY

SIX PILLARS



People



Environment



Customers



Business Ethics



Supply Chain



Community

FOCUS AREAS

- Employee engagement and care
- Fostering safety and wellbeing
- Upholding labour standards and human rights
- Creating a diverse, equal and inclusive workplace
- Nurturing and developing talent

- Tackling climate change
- Climate-related financial disclosures
- Minimising environmental footprint

- Delivering excellence in logistics solutions
- Boosting innovation

- Adhering to business standards
- Protecting data privacy and security

- Sharing our ESG values with suppliers

- Caring for the community

CONTRIBUTING TO UN SDGS AND ITS TARGETS



8.5
8.6



12.2 12.5
13.1 13.3



17.16



16.5
16.6



8.8



17.17

ADHERING TO THE TEN PRINCIPLES OF UNGC IN THE AREAS OF

HUMAN RIGHTS | LABOUR | ENVIRONMENT | ANTI-CORRUPTION

STRATEGY





SUSTAINABILITY TARGETS

The UN SDGs set the global agenda for the sustainable development of an equitable society by 2030 and are a call to action for both the public and private sectors. As a responsible corporate citizen, the Group will work with its partners, suppliers and stakeholders to contribute to the global goals by addressing five priority UN SDGs that were identified by the Group in 2021.

Progress against these five priority UN SDGs is closely linked with the Group's sustainability pillars and framework. During 2022, the Group has contributed to these UN SDGs in the following ways and set out its plan for 2023 to tie in its SDGs targets.

IMPLICATIONS OF UN SDGs FOR KLN GROUP

<p>8 DECENT WORK AND ECONOMIC GROWTH</p> 	<p>2022</p> <p>The Group partnered with an NGO in Hong Kong to create equal employment opportunities for ethnic minority groups, and consciously hired a number of disabled staff in the Mainland of China.</p>	<p>2023</p> <p>The Group will continue to develop a roadmap to solidify and expand the brand of WE KARE in its global footprint. The Group will further strengthen the diversity through inclusive recruitment and collaborate with educational institutions to nurture students.</p>
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<p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p> 	<p>2022</p> <p>The Group published a Sustainable Procurement Policy Statement to drive its suppliers, manufacturers, contractors, and other partners along its value chain to operate in a transparent, sustainable and ethical manner. The Group organised an executive meeting to promote the use of green solutions including electric trucks and bioplastics among its customers.</p>	<p>2023</p> <p>The Group will continue to roll out the replacement of plastic packaging materials with 100% compostable bio-based alternatives.</p>
<p>13 CLIMATE ACTION</p> 	<p>2022</p> <p>To reduce the environmental footprint of its products and services, the Group continued to study the replacement of traditional vehicles with electric, hybrid and low emissions alternatives. In Hong Kong, it became the first logistics company to start using electric trucks. In Thailand, meanwhile, the Group has phased out fossil fuel powered forklifts in favour of electric replacements.</p>	<p>2023</p> <p>To build on the energy savings gained from using LED and motion sensor lights, the Group will continue to upgrade LED lights to higher efficiency alternatives. Meanwhile, the Group continues to explore and trial the adoption new energy saving building features including solar tiles and passive radiative cooling technology.</p>
<p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p> 	<p>2022</p> <p>The Group worked together with its value chain partners and employees to ensure that there were no violations against its Business Partner Code of Conduct, Global Anti-Bribery Policy or Privacy Policy. Sustainability training is available on its intranet portal.</p>	<p>2023</p> <p>Ethics training, covering topics including anti-corruption and data privacy, will be provided to all employees.</p>
<p>17 PARTNERSHIPS FOR THE GOALS</p> 	<p>2022</p> <p>The Group partners only with businesses and organisations whose practices meet a required standard of environmental and labour practices. Additionally, it partners with social enterprises, NGOs and international humanitarian actors to generate positive impact to the community.</p>	<p>2023</p> <p>The Group will continue to strengthen its partnerships with NGOs and social enterprises to provide more job opportunities to the underprivileged and encourage employees to participate in charitable activities and voluntary services.</p>

STRATEGY

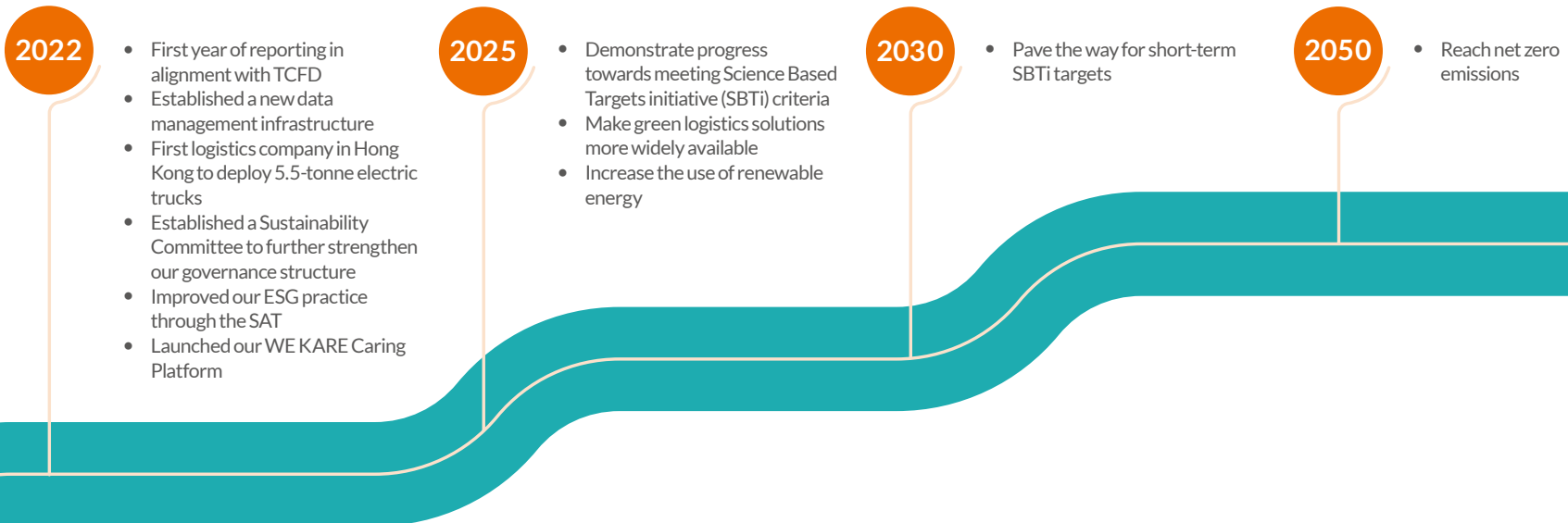
SUSTAINABILITY JOURNEY

KLN Group has long recognised the significant impact it has on the environment, people and society. The Group started its sustainability journey with the publication of its first Corporate Social Responsibility Report in 2014. Since then, the Group has continued to strengthen its commitment, improve the transparency of its disclosure, and take tangible action to address its priorities. In 2020, the Group formulated a three-year roadmap to outline the direction of its sustainability goals. The roadmap provides a structured framework to measure the Group's ESG actions against the commitments it has made.

In 2021, the Group launched a Sustainability Vision Statement and adopted the principles of the UNGC & UN SDGs to help establish clear focal points for its long-term strategy.

The Group will continue to seek ways to deliver value in a responsible manner. The Group understands keeping in line with the urgency of the global climate crisis as well as the potential business impact. Accordingly, the Group is assessing its climate-related risks and opportunities and began reporting in alignment with the recommendations of the TCFD for

the first time in 2022. The Group is in the process of establishing new data management infrastructure, in order to better monitor its environmental footprint and identify areas for improvement. Through the collection and analysis of detailed data, and continual research into new and innovative green solutions, the Group will continue to study the implementation and feasibility of science-based targets, in order to pave the way towards its 2050 net zero ambition.





GOVERNANCE

GOVERNANCE

STAKEHOLDER ENGAGEMENT

Engaging with stakeholders to understand their needs supports the Group's ability to create long-term value for its business, staff, customers, shareholders, and society. Feedback from the

Group's key stakeholders, who are identified by management and consultants is valued highly as a driver of the Group's sustainability strategy, goals, and policies in relation to ESG issues.

Insight and feedback are collected through the communication channels detailed below, and are further shared with the Board on an ongoing basis to ensure the Board is aware of evolving stakeholder concerns.

KEY STAKEHOLDERS



¹V.O.I.C.E. stands for Value creation, Openness, Integrity, Commitment and Excellence

RESPONDING TO STAKEHOLDER NEEDS

The Group believes that constructive stakeholder dialogue and collaboration is essential to maintaining mutually-beneficial relationships. KLN gathers stakeholders' views and expectations

through conversations, meetings and events in order to build awareness of opportunities, stay abreast of changing expectations and respond meaningfully to any concerns that arise. By taking an open approach, the Group aims to give stakeholders an opportunity to contribute

to its performance improvement and a deeper understanding of KLN's vision and objectives.

Key Stakeholders	Concerned Topic	KLN's Response
Internal stakeholders – Board of Directors	Anti-corruption	The Group ensures adherence to its Global Anti-Bribery Policy across all operations, and continues to mandate rigorous anti-corruption training for its employees.
Internal stakeholders – Employees	Data security and privacy	The Group's Information Security Management Policy Statement outlines strict procedures it has to protect the data and information it produces, manages, stores and disseminates. The Group's information security management system meets the ISO 27001 standard. It strictly monitors the installation of software, and utilises firewalls and anti-virus software which are regularly updated. The Group delivers regular training and reminders to enhance staff awareness and prevent data leaks.
Investors	Energy efficiency	The Group seeks to enhance energy efficiency through the optimisation of logistics routes and ongoing investment in energy-saving measures. In time, The Group aims to increase the proportion of renewable energy used in its operations.
Business Partners	Customer relations and satisfaction	Quarterly business reviews are held with key customers to evaluate the Group's performance. Service improvement plans are implemented where necessary.
Customers	Service and product quality management	The Group's Quality Policy Statement sets out its commitment to measure its performance against customer satisfaction. A well-established complaints handling procedure is in place to resolve any customer concerns promptly. The service quality of suppliers is also regularly reviewed.
Community – NGOs	Occupational health and safety	The Group's occupational health and safety measures cover both its own operations as well as the operations of its business partners. It has established IMS Committee and all health and safety systems comply with ISO 45001. The Group's health and safety policies place emphasis on hazard identification and risk assessment, incident reporting and investigation, as well as communication and participation. Specialised safety training is provided for employees across the globe.

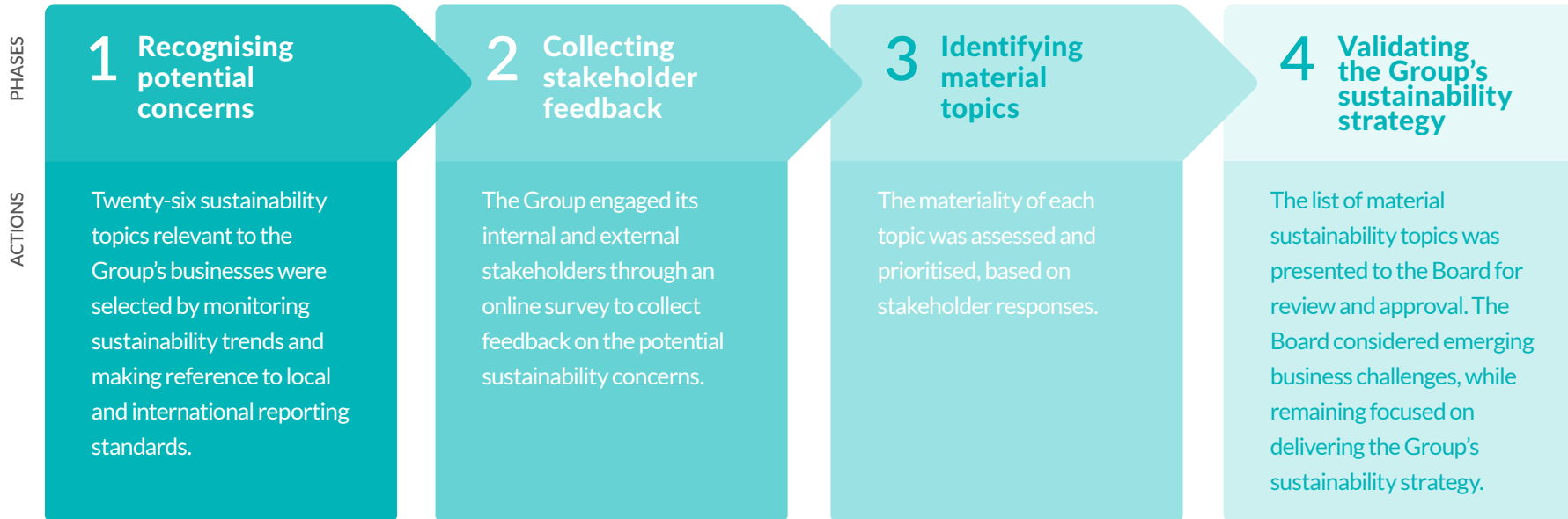
MATERIALITY ASSESSMENT

The Group conducts an annual programme of outreach to key internal and external key stakeholders as part of its materiality assessment process. Recognising that the Group's activities

impact its internal and external stakeholders, this assessment aims to support the Group in the prioritisation of issues for reporting and to respond to the needs and expectations of varied stakeholders and community. In 2022, the Group

conducted a four-phase process to identify material sustainability issues and rank them by significance, taking into account the significance of KLN's impacts in each area.

FOUR-PHASE PROCESS



MATERIALITY RESULTS

The table below indicates the 26 sustainability topics in descending order of materiality.

Highly Material	Sustainability Topics	
	● Anti-corruption	
	● Occupational health and safety	
	● Data security and privacy	
	● Customer relations and satisfaction	
	● Human rights and labour standards	
	● Employee engagement and care	
	● Air pollution management	
	● Diversity, equity and inclusion	
	● Energy efficiency	
	● Innovative service and product	
	● Service and product quality management	
	● Environmental risk management in supply chain	
	● Intellectual property rights protection	
	● Training and development	
	● Greenhouse gases management	
	● Waste management	
	● Pollution prevention	
	● Supplier engagement	
	● Social risk management in supply chain	
	● Packaging optimisation	
	● Renewable energy	
	● Fair and responsible marketing	
	● Water and effluent management	
	● Climate action and resilience	
	● Community engagement	
	● Community investment	
Less Material		



The 10 sustainability topics identified as most material from stakeholder engagement conducted in 2022 are listed in the table below. The new entries this year are “Customer relations

and satisfaction”, “Human rights and labour standards”, “Employee engagement and care” and “Energy efficiency”. The table below illustrates which topics are of concern to the Group’s key

stakeholder groups. The Group’s response to their concerns are addressed in the relevant chapters of this report.

Material Topics	Impacts and Boundaries						GRI Standards	Report Chapter
	Internal stakeholders – Board of Directors	Internal stakeholders – Employees	Investors	Business Partners	Customers	Community – NGOs		
Anti-corruption	✓	✓			✓	✓	GRI 205	Our Business Ethics
Occupational health and safety	✓	✓		✓	✓	✓	GRI 403	Our People
Data security and privacy	✓	✓	✓	✓	✓	✓	GRI 418	Our Business Ethics
Customer relations and satisfaction	✓	✓		✓	✓	✓	–	Our Customers
Human rights and labour standards	✓	✓	✓	✓	✓	✓	GRI 3, GRI 408, GRI 409	Our People
Employee engagement and care		✓	✓	✓	✓	✓	GRI 401	Our People
Air pollution management			✓			✓	GRI 305	Our Environment
Diversity, equity and inclusion		✓	✓			✓	GRI 405, GRI 406	Our People
Energy efficiency			✓	✓		✓	GRI 302	Our Environment
Innovative service and product				✓	✓	✓	–	Our Customers

GOVERNANCE

GOVERNANCE STRUCTURE

An effective and robust corporate governance structure is crucial to the Group’s business success. As such, the Group has established a sound sustainability governance structure, as shown in the diagram below. The Group’s overall governance is overseen by the Board, which assumes responsibility for the Group’s long-term corporate sustainability strategy and performance.

The Board has ultimate responsibility for the Group’s sustainability strategy and

oversees the process of ensuring company-wide consistency in sustainability-related initiatives. It is supported by the Risk Management Committee (“RMC”), as well as the Sustainability Committee (“SC”), made up of Directors, senior management and heads of divisions who have sufficient knowledge of current and emerging ESG matters, which has taken over the ESG-related responsibilities of the Audit and Compliance Committee (“ACC”) in November 2022. At an execution

level, the Integrated Management System (“IMS”) Committee, ESG Taskforce and Global Management Board are responsible for the alignment of the sustainability strategy with the Group’s sustainability measures and initiatives. Dedicated representatives from relevant business and function units make up Sustainability Action Teams (“SAT”) to ensure the Group is focused on its ESG priorities in Hong Kong and its worldwide operations.

SUSTAINABILITY GOVERNANCE



* Formerly known as Global Executive Committee

Governance	Members	Roles
Board	All Board Members	Overall responsibility for the Group's ESG strategy and reporting including ongoing review of progress made against sustainability goals and targets
Sustainability Committee	Managing Director and Heads of Finance, Company Secretariat, Human Resources & Administration, Quality & Risk Management and Investor Relations	Evaluate sustainability-related risks and opportunities, recommend ESG strategies and monitor sustainability reporting
Risk Management Committee	Group Managing Director and Heads of Finance and Quality & Risk Management	Strengthen oversight of sustainability and climate related risks and system effectiveness
Integrated Management System Committee	Group Managing Director and Heads of Business and Functions Units	Work closely with departments, frontline employees and workers to identify, assess and manage various risks across the Group's operations related to OHS, quality, environmental, climate-related risks and supply chain security
ESG Taskforce	Delegates of Sustainability Committee	Facilitate communication, cooperation and collaboration among the Board and Business and Functions units on sustainability and climate-related issues
Global Management Board	Board Members and Senior Management	Work with global business units to implement and monitor the Group's climate-related business strategies
Sustainability Action Teams	Dedicated Representative from Business and Functions Units	Implement policies and measures to ensure the sustainability and climate-related goals and objectives set out by the Group are achieved



GOVERNANCE

RISK AND COMPLIANCE MANAGEMENT

RISK MANAGEMENT

The Group is fully aware of the environmental, social and economic risks facing its business operations and undertakes an assessment of each part of its value chain to identify potential risks, opportunities and impacts. The Group has adopted a comprehensive risk management strategy to safeguard the interests of its business activities and stakeholders. The strategy is further supported by a well-established and robust

corporate governance structure and internal policies and procedures.

The Group's approach to addressing sustainability risks is guided by its corporate risk management framework, and overseen by the RMC, SC, and IMS Committee. The risk assessment methodology incorporates corresponding international standards, such as International Organisation for Standardisation ("ISO")

9001 Quality Management, ISO 45001 Occupational Health and Safety Management, ISO 22000 Food Safety Management, ISO 27001 Information Security Management, ISO 28000 Supply Chain Security Management, ISO 14001 Environmental Management and ISO 13485 Quality Management for Medical Devices. The key sustainability risks affecting the Group's operations in 2022 are listed below.

Sustainability Risks	Impact on the Group	Status and Responses
Financial Risks	Potential financial risks include rising interest rates and a decrease in purchasing power and consumption levels. These factors can negatively impact the Group's bottom line by increasing the cost of borrowing or reducing the demand for logistics services. Additionally, currency fluctuation and geopolitical instability can further complicate financial management.	<p>The Group's approach to risk management seeks to minimise the potential adverse effects caused by the unpredictability of financial markets by identifying, evaluating, and managing financial risks in the Group's individual operating units.</p> <p>The Group conducts regular risk assessments and has developed contingency plans to mitigate the impact of financial downturns. The Group continues to diversify its business portfolio, markets, and customer profile to minimise the impact of economic turbulence. For further information on how the Group manages financial risk, please refer to the Group's Annual Report 2022.</p>
Climate Change	The Group's business can be affected by both climate-related physical and transition risks in a variety of ways. Physical risks such as sea level rise, extreme heat, coastal flooding, extreme precipitation, typhoons and droughts can directly affect the Group's operations, supply chain, and overall business performance. Transition risks such as changes in technology and policies relating to climate change can impact the value chain and competitiveness of the Group's business and strategy.	<p>The Group has made a carbon reduction commitment and has conducted a Group-level climate-related assessment to identify potential risks.</p> <p>For more details on the Group's approach to managing climate-related risks, please refer to the section titled "Climate-related Financial Disclosures" in this report.</p>
Cyber Security	<p>Due to the nature of the business, the Group collects, processes and stores confidential information. To protect its stakeholders, the Group is subject to relevant laws and regulations regarding the protection of data.</p> <p>Potential cyber-attacks may threaten the confidentiality, integrity and availability of data and cause disruption to its operations.</p>	<p>Cyber security specialists have been appointed to investigate any incident and ensure the Group's systems are secure.</p> <p>The Group continues to enhance its security systems and will take every action necessary to protect both its customers and the organisation against any future disruption.</p>

POLICIES AND GUIDELINES

In support of its sustainability framework, the Group has established a number of policies to guide its conduct and ethics in governance, social and environmental matters. To enhance transparency and ensure the same high standards are upheld throughout its value chain, the Group communicates its policies and expectations clearly to all of its suppliers and business partners, as well as publicly publishing its policy statements on the Group's website – "[Sustainability – Policy Statements](#)" and "[Governance – Policy](#)".

REGULATORY COMPLIANCE

Regulatory compliance is among the Group's top ESG priorities. The Group respects the distinct laws and regulatory standards in its many operating territories, and takes great care to understand the nuances of each jurisdiction. To protect the integrity of its operations, the Group's compliance management is overseen by the SC, which continually assesses the policies and processes in place to ensure KLN upholds high standards of compliance and best practice.

In line with its enterprise risk assessment framework, the Group assesses compliance risks by identifying the laws and regulations that have potential to cause significant impact on operations in particular jurisdictions.

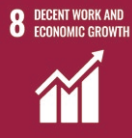
Any breach of, or non-compliance with, laws and regulations may adversely affect the business, financial conditions and operations of the Group. The potential impacts are as follows:

- Regulatory or legal action brought against the Group or its employees that could result in fines, penalties and/or imprisonment
- Negative impact to the Group's share price and/or potential future earnings resulting from loss of confidence among investors and customers
- Interruption to the business resulting from adverse events, such as systems shutdown, suspension of the business, cyber extortion, employee injuries and environmental pollution
- Damage to the reputation or brand of the Group, for example, negative media coverage and public censure

The Group's compliance policies and guidelines ensure that it monitors and adheres to the laws and regulations in its operating territories, which are detailed in the relevant sections of this report. The Group is committed to staying abreast of the latest regulatory developments and will provide appropriate training for relevant employees to maintain its high compliance standards. In 2022, there were no non-compliance cases which resulted in significant fines or non-monetary sanctions.



OUR PEOPLE



The Group's greatest asset is its people, and as such, it is dedicated to fostering an inclusive, progressive and performance-based environment that maximises the potential of each individual colleague. The Group recruits its workforce from a diverse pool of talent worldwide, empowering colleagues to build a resilient global supply chain by ensuring every employee feels safe, included, valued and respected in the workplace.

Our Targets

- Revitalise employee wellbeing through the WE KARE Caring Platform, underpinned by five Key Caring Elements, namely: Fitness Care, Wellness Care, Work-life Care, Family Care and Community Care
- Ensure all colleagues are treated with respect and dignity and provide a workplace free from discrimination on the grounds of gender, pregnancy, marital status, age, disability, family status, ethnic origin, race or religious belief
- Work with educational institutions to provide mentors and networking for students and prepare them for their first jobs through internships and placements

Our Prioritised SDGs and Targets



- Target 8.5: Achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value
- Target 8.6: Substantially reduce the proportion of youth not in employment, education or training

Our Focus Areas

- Employee Engagement and Care
- Fostering Safety and Wellbeing
- Upholding Labour Standards and Human Rights
- Creating a Diverse, Equal and Inclusive Workplace
- Nurturing and Developing Talent



KLN GROUP'S WORKFORCE

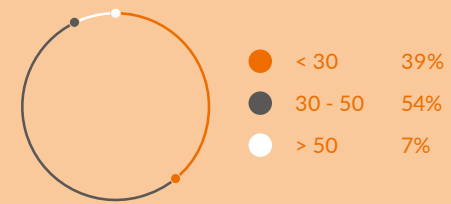
TOTAL WORKFORCE (EMPLOYEE)

43,903

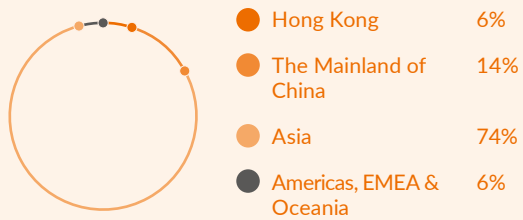
EMPLOYEE BY GENDER



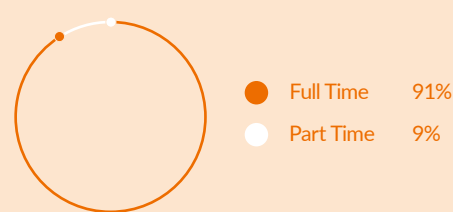
EMPLOYEE BY AGE GROUP



EMPLOYEE BY REGION



EMPLOYMENT BY TYPE



EMPLOYEE BY CATEGORY



EMPLOYEE ENGAGEMENT AND CARE

The key strength of the Group remains its people. We are committed to creating value for each of them through rewarding careers, workplace quality and work-life balance. The Group's employees are from a wide range of cultural backgrounds, and are provided with equal opportunities to align with the Group's corporate values and goals while developing their full potential at different stages of their career. By cultivating an engaging environment, employees are offered channels to exchange ideas, ask questions and raise concerns. We believe the success of KLN starts with positive and energetic employees. A wide range of Employee Care initiatives, from physical to mental, family and community, are well integrated and support each employee's daily work and life.

In Thailand, a variety of initiatives have been launched to promote employee satisfaction. The online K-Portal platform was rolled out to make it easy for employees working at the seaport to access latest company policies, find personnel information and stay abreast of company updates. An employee satisfaction survey was held to assess the quality of human resources management, business travel arrangements, and handling of documents, among others. The overall satisfaction score as rated by employees was 4.4 points out of 5.

WE KARE

The rationale of “Caring for each of our people” has been set at the start. The Group strives to keep its people safe and well, and this “people-oriented” initiative further extends to employees' families and community. A step forward was taken this year at the Hong Kong headquarters by launching “WE KARE”, the Group's all-round caring platform signifying its long-term strategy through Five Caring Elements, namely Fitness Care, Wellness Care, Work-life Care, Family Care and Community Care. A wide range of events were kicked off, from a Volunteer Service Scheme, a Social Enterprise partnership, a Christmas Carnival to a series of afterwork fitness activities in Muay Thai, Zumba and Funky Dance, Tai Chi, Yoga and others. The Group also developed a roadmap to solidify and expand the brand of WE KARE in its global footprint.

¹KARE stands for KLN + CARE.

VOLUNTEER SERVICE SCHEME

The Group advanced the Volunteer Service Scheme to help its Hong Kong employees contribute their time and skills to a variety of social and environmental causes. Very positive responses received from employees despite the pandemic impact.

FOSTERING SAFETY AND WELLBEING

The Group places the utmost importance on maintaining a safe working environment for its employees and partners, as outlined in the Group's Occupational Health and Safety (“OHS”) Policy Statement. Equal priority is given to employee health and wellbeing, which in turn enhances safety in the workplace. This is reflected in the strategic objectives on a company-wide level as well as operational efforts implemented on a day-to-day basis. The Group complies with the Occupational Safety and Health Ordinance in Hong Kong and all applicable OHS laws and regulations in every applicable jurisdiction that have a significant impact on the Group.

SAFETY MANAGEMENT SYSTEM

The Group has a comprehensive OHS system in place, covering all of its business activities including logistics services, e-commerce and express, facilities management, international

freight forwarding services, trucking, and distribution of a variety of cargo, among others. This system complies with the requirements of the ISO 45001 and helps the Group to continuously improve its OHS performance and take steps

towards eliminating work-related hazards and OHS risks.

Some of the key procedures which form the Group's robust OHS policy are listed below.

Hazard Identification and Risk Assessment	<p>The Group's IMS Committee has been established to identify, assess, and manage OHS hazards and risks across its operations.</p> <p>IMS Committee members and frontline employees from all departments are engaged to ensure that hazards and risks are carefully considered from different perspectives. To ensure continual improvement, a review is conducted every six months or whenever there are significant changes to operations.</p> <p>An independent professional firm is appointed to conduct a regular audit of the OHS system to ensure its effectiveness.</p>
Incident Reporting and Investigation	<p>Employees and/or workers are encouraged to report all potential work-related hazards through clear and well-established channels. Every report is referred to the IMS Committee and workers' representatives for follow-up action. The Group's OHS policy explicitly states that employees and/or workers are entitled to remove themselves from work without reprisals in the event they encounter any danger.</p>
Communication and Participation	<p>The Group proactively communicates and engages with employees and/or workers in pursuit of continual improvement of the OHS system.</p> <p>Safety guidelines and procedural manuals are made readily available to employees to encourage them to identify hazards and assess the associated risks.</p> <p>Employee and/or worker representatives participate in regular meetings with the Group's IMS Committee. The agenda includes reviewing the effectiveness of the OHS management system and identifying opportunities for further improvement.</p>

In Singapore, the Group has recruited a full-time Health, Safety and Environment (“HSE”) & Quality Manager to help raise safety standards. An HSE Committee has been established to support the aims of the manager. Comprising of 13 members, the committee holds face-to-face meetings every month to discuss any safety-related incidents and monitor the effectiveness of health and safety policies to help ensure improvement.

SAFETY IN THE VALUE CHAIN

The Group’s OHS risk assessment extends to the operations of its business partners, including suppliers and contractors. The Group is committed to working together with its partners to proactively identify and address risks wherever they may occur.

To help value chain partners comply with KLN’s high standard of health and safety, the Group provides training, conducts regular performance checks on partners’ practices and encourages open conversation to help them make progressive enhancements in their OHS performance.

Meanwhile, in Hong Kong, suppliers and contractors are required to show evidence of compliance with the Group’s Contractor OHS Code in advance of beginning contracted work. Safety training materials are provided to all partners to ensure employee safety during all operations.

OPERATIONAL SAFETY

In order to protect both employees and customers, the Group’s safety management systems help ensure a consistently high standard of operational safety.

Storing flammable and hazardous goods are part of the Group’s warehousing operations. Fire drills and emergency evacuation simulations are held on a regular basis to make certain that employees are well-trained to handle any emergencies. Specialised training, tailored to the specific job nature and client cases, is provided to guarantee that employees can handle hazardous materials in strict adherence to local regulations on goods transport, handling and warehousing.

TRAINING AND AWARENESS BUILDING

The Group runs frequent safety training and awareness-building programmes for its staff across the globe. Each is designed to meet the specific needs of each region and the exact regulatory requirements of individual jurisdictions. Meanwhile, an e-learning platform has been established to give employees easy access to relevant learning materials. The training modules on this platform are supplemented with comprehension tests to ensure a full understanding of the material.

Categories	Training Topics
General Safety	<ul style="list-style-type: none"> OHS training for new joiners Regular refresher training
Safe Operations in Offices and Warehouse	<ul style="list-style-type: none"> Working with display screen equipment Manual handling of hazardous goods in the workplace Standard manual handling procedure Preventive and protective measures
Fire Safety	<ul style="list-style-type: none"> Facilities for fire safety in the office, warehouse and daily life Fire hazards in the workplace Introduction of firefighting equipment
First Aid	<ul style="list-style-type: none"> Basic first aid Cardiopulmonary resuscitation (“CPR”) Automated external defibrillator (“AED”)

To cater for different operational needs, employees are required to undertake ESG training covering various topics, including ethical issues, safety and wellness etc. The Group's ESG priorities are incorporated into daily practice by offering training to all full-time employees. Modules cover competencies including Cyber Security, Prevention of Bribery and Conflict of Interest and Sustainability Awareness.

EMPLOYEE HEALTH AND WELLBEING

The physical and mental health and wellbeing of its employees is a key priority for the Group. The Group provides a range of medical and healthcare programmes for its employees, including special care during the COVID-19 pandemic.

MENTAL HEALTH

The Group recognises its employees' emotional and psychological needs and has addressed them by offering employees access to a 24-hour counselling hotline. Direct family members of employees also have access to this service. This year, the Group launched the Mental Health Outpatient Benefit to provide additional mental health support to employees.

PHYSICAL HEALTH

The Group offers employees access to a comprehensive medical plan as well as voluntary annual health checks. The Group's working environment is ergonomically designed to promote good health.

Employees are eligible to partake in the Group's fitness program, where available. Fruit and healthy snacks are available at the Group's various offices to encourage staff to make better food choices. The Group unveiled a new staff fitness centre at its Hong Kong headquarters last year and has since launched a series of fitness activities.

The Group's Hong Kong offices give staff access to lush, landscaped gardens and a refreshment zone designed to help them relax on breaks away from their desks. Amenity and collaboration spaces within the office allow for better interaction and engagement with colleagues, further enriching workforce health and wellbeing.



CARING FOR THE WELLBEING OF EMPLOYEES DURING THE COVID-19 OUTBREAK

The COVID-19 pandemic continues to affect the health of the Group's employees. As such, the Group continues to take effective measures to maintain the hygiene of its working environment with a strict health protocol across its operations globally.

The Group has continued a four-pronged strategy to protect its workforce and their families. It encompasses precautionary measures, distribution of protective equipment, special working arrangements, and open and transparent communication.

In Hong Kong, the Group launched a webinar titled "Tips for Coping with Omicron, Chinese Medicine as a COVID-19 Cure, Let's Beat Long COVID". It was designed to help employees understand the medicine and treatment paths available if they or their family members became infected.

CARE PACK GIVEAWAY

Hong Kong employees received a Care Pack as a token of appreciation for the dedication they showed amid the difficulties encountered during the pandemic outbreak in 2022.

In addition, to contribute to the city's pandemic recovery, the Group's Hong Kong office held a Sharing is Caring program. Employees donated more than 10,000 unopened masks and rapid antigen test kits to street cleaners, chronic illness patients and underprivileged families.

UPHOLDING LABOUR STANDARDS AND HUMAN RIGHTS

The Group strives to protect the welfare, safety and human rights of every individual involved with its business activities and in the communities where it operates. It guarantees that the human rights of individuals within the Group's own operations and the associated value chain will not be compromised in any way. To this end, the Group ensures that its [Social Responsibility Policy Statement](#) and [Business Partner Code of Conduct](#) are being followed strictly throughout its

operations. The Group is committed to alleviating all forms of child and forced labour, corporal punishment and discrimination in its operations, and complies with all relevant laws and regulations relating to preventing child and forced labour, corporal punishment and discrimination that have a significant impact on the Group. In-depth inspections and reviews are performed regularly, especially when engaging with third parties.

Prior to engaging with a third-party supplier or contractor, the Group performs a due diligence process, including a human rights screening. The Group requires all partners to submit documents which demonstrate that labour standards are being met and there has been no involvement in human rights violations or child and forced labour. Parties unable to submit the required documents will not be engaged.

The Group thoroughly reviews the service quality and risk-control measures of all suppliers to obtain a rating. Inferior suppliers are eliminated. The Group has a strict and uncompromising approach to human rights violations, and works closely with all its partners to ensure these standards are met throughout the value chain. The Group's global team continues to review its suppliers' performance regularly. Once they fail to meet the Group's labour standards and human rights policy without further improvement, they will be eliminated from the Group's suppliers list.

CREATING A DIVERSE, EQUAL AND INCLUSIVE WORKPLACE

The Group unites employees from a diverse range of cultures and backgrounds, who bring together a valuable range of perspectives, experiences and skillsets.

The Group aims to create an inclusive workplace environment for its employees, no matter the age group, gender, race, ethnic origin or religious beliefs with which they identify. The Group's Global Equal Opportunities Policy prohibits any form of harassment or discrimination. The Group's Social Responsibility Policy Statement sets out its commitment to eradicating discrimination. The Group complies with the Sex Discrimination Ordinance in Hong Kong and all applicable employment laws and regulations in every applicable jurisdiction that have a significant impact on the Group. During the reporting year, the Group recorded no incidents of discrimination.

PROVIDING EQUAL OPPORTUNITIES

Creating and presenting equal opportunities is central to the Group's strategy for hiring, leadership and promotion. The Group ensures that all job evaluations and career advancement opportunities are based purely on performance. The Group continues its work to provide equal employment opportunities to disabled staff.

PARTNERING WITH EDUCATIONAL INSTITUTIONS TO PROVIDE EQUAL JOB OPPORTUNITIES

In 2022, the Group's Hong Kong office established collaborations with NGOs to help create equal opportunities for ethnic minority groups. The Group held a seminar and participated a Career Info Day, which teaches students with disabilities or Special Education Needs ("SEN"). The programme was designed to give the students an understanding of potential career pathways in the logistics industry help the school to equip SEN students with valuable career skills.

CREATING AN INCLUSIVE WORKPLACE

The Group strives to look after the needs of employees from different backgrounds, religious beliefs, and ethnicities. Disabled washrooms and/or prayer rooms are available at some of the Group's offices. Within the Group's Singapore operations, early finishing is offered on various holidays to accommodate employees from different religious backgrounds.

WE THINK WE DO CAMPAIGN AND SILVER AWARD FROM THAILAND KAIZEN AWARD 2022

The We Think We Do campaign encourages staff in the Group's Thailand operations to share ideas for innovation and improvement in return for rewards. The initiative embodies of the Group's core V.O.I.C.E values. The team which developed the best idea as part of the campaign was presented with a Silver Award by the Technology Promotion Association (Thailand-Japan) for its E-Cycle Count Project.

Initiatives to enhance employees' understanding of human rights, anti-discrimination and equal opportunities are run by the Group. A dedicated channel is used by the Group to gather and address employee concerns and complaints about equality in the workplace.

NURTURING AND DEVELOPING TALENT

The Group strongly believes in nurturing young talent and employees to become future leaders. By investing in exceptional individuals and providing them with a multitude of opportunities to hone their skills, the Group aims to support their professional and personal growth and develop leaders who share the Group's own vision of creating a world class logistics network.

DEVELOPING TALENT AND LEADERS

By providing a variety of apprenticeship, internship and placement programmes, the Group has continued to invest in attracting young talent to join its mission to deliver sustainable logistics solutions. Training programmes have been launched to enrich the knowledge of employees across all operations and continually provide opportunities for them to widen their skills.

YOUNG EXECUTIVES ACADEMY

The Group cultivates future leaders through the Young Executives Academy ("YEA"). It is a platform that aids the development and growth of employees at various stages in their career – from student interns to managers.

The YEA consists of four programmes that are custom-built to suit the learning needs of employees at different career stages:

Management Associate Programme	<ul style="list-style-type: none"> • A 12-month programme • Advances careers for young talents by providing work experience and identifying potential to take up key roles in corporate development
Management Trainee ("MT") Programme	<ul style="list-style-type: none"> • Nurtures fresh graduates, regardless of their academic background, to become the Group's future business leaders • Offers rotation across different business streams with overseas exposure
Graduate Trainee ("GT") Programme	<ul style="list-style-type: none"> • A 12-month programme • Tailored to prepare fresh graduates • Offers intensive development in specific businesses in Hong Kong
Internship Programme	<ul style="list-style-type: none"> • A six-month programme • Allows candidates to gain hands-on experience and explore interests for career progression • Outstanding interns are fast-tracked to the Group's GT/MT programmes after graduation

Through the YEA programme this year, over 50 young talents were recruited from Singapore, Thailand, Malaysia, Indonesia, Kazakhstan, Azerbaijan, the Mainland of China and Hong Kong.

TRAINING AND PROFESSIONAL DEVELOPMENT

To continue its efforts to build employee knowledge and skills, the Group offered several training programmes throughout the year. These programmes were personalised to employee's specific needs identified through a training matrix, which considers the employee's personal development, leadership, service excellence, as well as safety and wellness. Orientation training is provided for new hires, whereas frequent job-specific training is provided to existing employees.

Additionally, the Group continues to encourage and support employees in the pursuit of external professional and academic qualifications. Employees are offered subsidies to pursue specific educational qualifications to support their continuous learning and development.

MENTORING AND WIDENING YOUTHS' CAREER PROSPECTS

The Group collaborated with local universities and institutions to organise a youth career development and placement programme in 2022. The initiative offered students support in their career planning and helped them develop strong and positive work ethic. The Group offered job placements in its frontline operations and offices, providing students with an opportunity to gain valuable work experience and broaden their horizons.

In 2022, an Alumni Chill and Chat event was held with the universities in Hong Kong. This event helped alumni employees engage with current students through networking sessions to help foster their interest in the success of the Group's sustainable logistics solutions and the logistics industry at large. Topics discussed included an overview of the industry, work culture and career prospects.



OUR ENVIRONMENT

12 RESPONSIBLE CONSUMPTION AND PRODUCTION



13 CLIMATE ACTION



The Group's sustainability vision is underpinned by clear goals and strategy to make a positive environmental impact and create value for its stakeholders. This year, the Group refined its ESG framework to further clarify its approach to improving its overall environmental performance.

To better understand its environmental footprint, the Group has engaged an external professional consultancy firm to implement a carbon assessment. The process of quantifying its GHG emissions follows the guidelines¹ published by the Electrical and Mechanical Services Department and the Environmental Protection Department of Hong Kong, with reference to international standards including the Greenhouse Gas Protocol, the ISO 14064-1 standard and Global Logistics Emissions Council ("GLEC") Framework.

Our Targets

- Achieve net zero emissions from our operations and value chain by 2050
- Reduce energy and water consumption in our operations
- Adopt green energy and gradually replace conventional energy consumption
- Reduce consumption of packaging materials and increase the proportion of sustainable packaging material
- Improve education and raise awareness through training and campaigns
- Develop more green logistics solutions for customer consideration

Our Prioritised SDGs and Targets



- Target 12.2: Achieve the sustainable management and efficient use of natural resources
- Target 12.5: Substantially reduce waste generation through prevention, reduction, recycling and reuse
- Target 13.1: Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries
- Target 13.3: Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning

Our Focus Areas

- Tackling Climate Change
- Climate-related Financial Disclosures
- Minimising Environmental Footprint

TACKLING CLIMATE CHANGE

The dangers posed by climate change mean there is a critical need for the world to reach net zero by 2050 in alignment with the Paris Agreement. As a leading global logistics solutions provider,

the Group is committed to strengthening its operational resilience and to becoming a positive force in the fight against climate change. The Group's [Climate Change Policy Statement](#) sets out its contribution to protecting the environment in four main ways: mitigation, adaptation, resilience and disclosure.

STAYING RESILIENT TO CLIMATE CHANGE

The Group's businesses are exposed to wide-ranging risks arising from climate change. To address these risks, the Group has taken proactive measures across its own operations and throughout the value chain. It continues to explore the alignment of its risk management processes and policies against the recommendations of the Financial Stability Board's TCFD. Initiatives adopted within the Group's operations include emissions and energy management, route optimisation, improving fleet and facility efficiency, transitioning to renewable energy, adopting sustainable packaging material, reducing and recycling waste. Further details are described in the section headed Decarbonising Logistics Operations.

¹Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong

DECARBONISING LOGISTICS OPERATIONS

The Group recognises that decarbonisation is key if it is to play its part in slowing global warming.

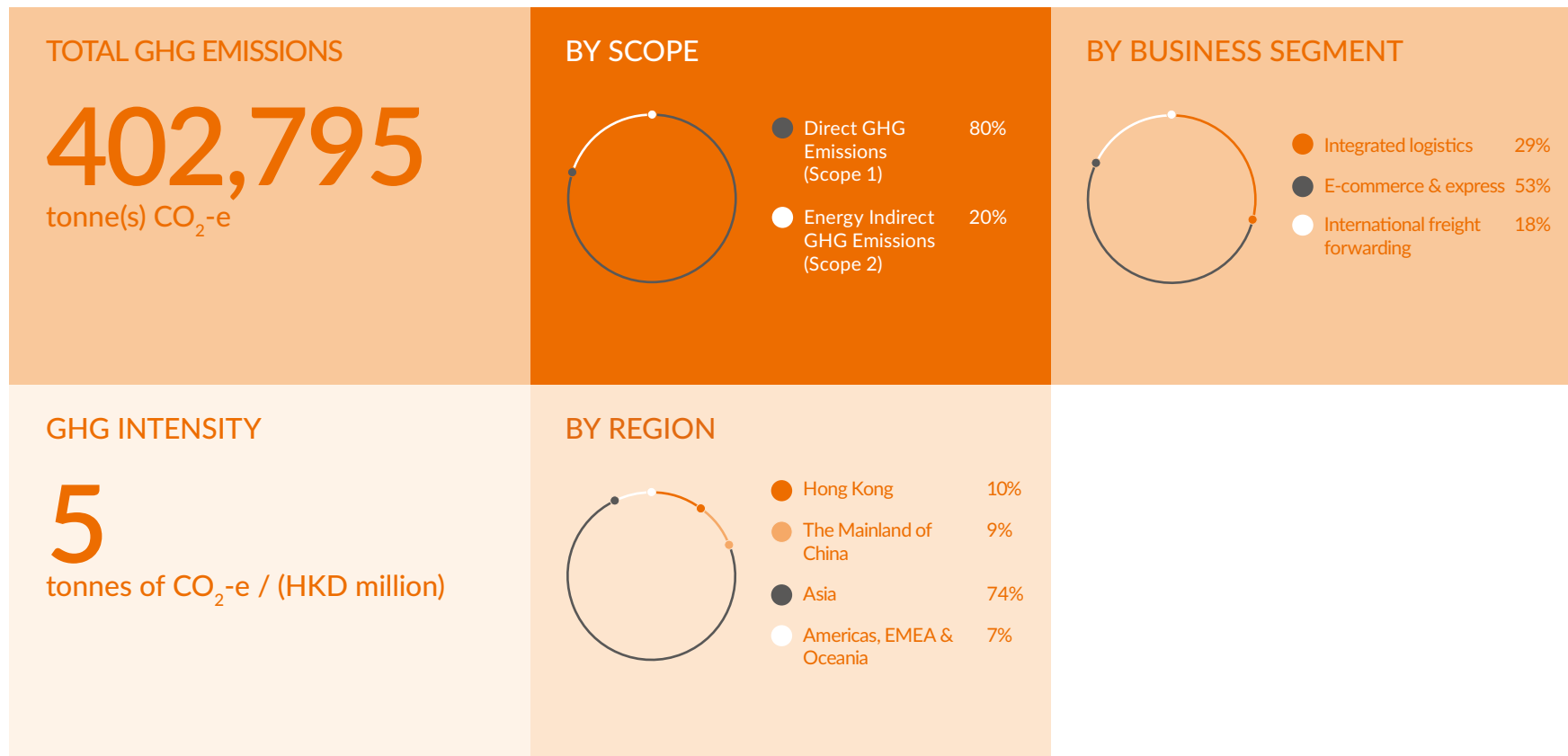
KLN is leading the transition towards a sustainable logistics industry through its commitment to achieve net zero emissions by 2050. The Group has accelerated its efforts to reduce carbon emissions in four ways:

- Carbon Reduction
- Energy Efficiency and Renewable Energy Adoption
- Carbon Offsetting
- Transparency of Disclosure

CARBON REDUCTION TARGETS

The Group continues to explore new and innovative ways to reduce its carbon footprint. As part of its commitment to minimising its environmental impact, the Group continues to study the establishment of a baseline figure for its GHG emissions across its global operations. A summary of the carbon assessment is presented on the following page, detailing

GHG EMISSIONS (SCOPE 1+2) IN 2022



KLN's key statistics for 2022. This was primarily focused on transport services (i.e. air freight and shipping) due to the prominent role the Group's emissions play in its operations. Further details on this can be found in the Environmental Performance Data section of the Appendices in this report. Finally, a detailed study is ongoing to assess Scope 3 emissions relating to the Group's wider value chain.

SCIENCE-BASED TARGETS

KLN recognises the importance of setting science-based targets in the pursuit of reducing greenhouse gas emissions and promoting sustainable growth. Science-based targets are quantitative and measurable reduction goals that are based on the latest scientific evidence, providing companies with a pathway to becoming carbon neutral. To achieve its vision of leading the logistics industry towards a sustainable future, the Group continues to improve its emissions tracking methods and explore opportunities to set definitive, science-based emissions reduction targets.

ENERGY EFFICIENCY AND RENEWABLE ENERGY

The Group is enthusiastically studying new technology and processes that can help to optimise energy consumption, while continuing its investment in renewable energy. Enhancing

the energy efficiency of its fleet and facilities by optimising logistics routes and exploring energy-saving measures to improve the sustainability of its operations remains a priority. KLN will continue to drive energy efficiency in its road transport

and warehouse operations and is committed to increasing the use of renewable energy in the years ahead.

Road Transport

Operational Efficiency	<ul style="list-style-type: none"> • Enhancing route planning • Instilling responsible behaviour through measures including carrier capacity optimisation, mileage yield monitoring, driver training, and regular fleet maintenance • Adopting energy-efficient electric forklifts to replace traditional fuel forklifts • Enhancing standard operating procedures during loading and unloading to save energy and reduce emissions • Daily monitoring of fuel consumption by respective departments to ensure energy consumption remains within limits
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Fleet Modernisation	<ul style="list-style-type: none"> • Adopting electric and hybrid vehicles • Phasing out vehicles with lower emissions standards
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Warehouse Operations

Building Envelope	<ul style="list-style-type: none"> • Reducing energy loss by replacing a low efficiency cold plant system at one of the Groups' cold storage facilities in Hong Kong in 2022
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Lighting	<ul style="list-style-type: none"> • Replacing fluorescent lights with more energy-efficient LED alternatives • Continuing LED lighting replacement programmes in logistics facilities in Thailand, Singapore, the Mainland of China and Oceania • Adopting motion sensor lights to improve energy savings at new logistics facilities in Hong Kong
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Air Conditioning and Refrigeration System	<ul style="list-style-type: none"> • Implementing maintenance plans aimed at efficiency, such as regular cleaning of dust filters and fan coils • Procuring environmentally friendly air conditioners in the Mainland of China • Implementing refrigerants at one of the Group's cold storage facilities in Hong Kong with an environmentally friendly mixture of natural gases (ammonia and carbon dioxide) in 2022
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ENERGY EFFICIENCY

The Group's energy efficiency strategies are focused on two areas: road transport and warehouse operations. Further details are described in the table alongside:

RENEWABLE ENERGY AND CLEAN MOBILITY

The Group is committed to reducing emissions by increasing its use of renewable energy and electrifying transport and equipment where possible. The rise of clean energy technologies offers opportunities to reduce dependence on fossil fuels and minimise the Group's impact on the environment. KLN is keen to embrace any new developments in green energy and technology which could pave the way for achieving sustainable logistics operations and provide more alternative green logistics solutions to its customers.

MAKING OUR OPERATIONS GREENER

IMPLEMENTATION OF SOLAR PANELS

The Group installed solar panels at its warehouses in Hong Kong, the Mainland of China, Thailand and Singapore. The installation of a new solar roof is under way at Kerry Siam Seaport, Thailand, which will be completed in 2023. Additionally, more than 2,400 solar panels have been installed on the roof of a warehouse site in Singapore. The panels reduce emissions by providing 58% of the facility's total electricity consumption.

ADOPTING ELECTRIC VEHICLES AND EQUIPMENT

The Group is a pioneer in transitioning to electric, hybrid and low emissions vehicles across its operations in Hong Kong, the Mainland of China, Thailand and Oceania. In fact, KLN is the first logistics company to use electric trucks in Hong Kong. Electric and hybrid trucks are undergoing a second round of assessment and trials to determine whether they can be implemented gradually in Hong Kong and Thailand, while in Singapore, the Group plans to replace part of its fleet to EV in 2023 subject to the customers' feedback. Meanwhile the Group has built new electric vehicle ("EV") charging stations at its Hong Kong headquarters to bolster infrastructure in preparation for the increased use of electric trucks.

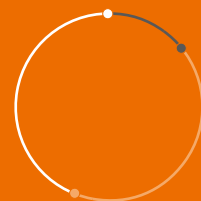
Furthermore, in Hong Kong, Thailand and Oceania, the Group has replaced traditional fuel forklifts with electric alternatives, which has helped to further reduce emissions.

ENERGY CONSUMPTION 2022

TOTAL ENERGY CONSUMPTION

1,837,731
MWh

BY BUSINESS SEGMENT

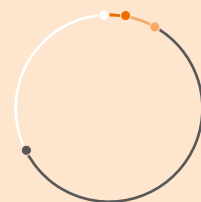


Integrated logistics	14%
E-commerce & express	42%
International freight forwarding	44%

ENERGY INTENSITY

21
MWh/(HKD million)

BY REGION



Hong Kong	3%
The Mainland of China	6%
Asia	58%
Americas, EMEA & Oceania	33%

CARBON OFFSETTING

Carbon offsetting is a process which allows companies to invest in environmental projects by purchasing carbon credits equivalent to the GHG emissions generated through their business activities. The Group turns to carbon offsetting as a way to balance out its environmental impact where it cannot avoid or reduce emissions

through other means. Through the purchase of high-quality carbon credits from certified companies, in alignment with the Group's [Carbon Offset Policy](#), this initiative is a useful tool for immediate action, while the Group continues to work on implementing long-term emissions reduction strategies which contribute towards its net zero emissions goal.

TRANSPARENCY AND DISCLOSURE

KLN is committed to transparency and accountability when it comes to its sustainability progress. The Group makes a concerted effort to track and measure its performance and to publicly disclose this information through channels such as its sustainability reports.

In order to build trust and credibility with investors and customers, KLN once again participated in CDP's climate change survey in 2022. This involved disclosing actions taken to combat climate change, measuring its environmental footprint, and promoting sustainable practices throughout its operations. Participation in the survey allows the Group to benchmark its performance against industry peers and to identify areas for improvement, in addition to demonstrating the Group's transparency.

CLIMATE-RELATED FINANCIAL DISCLOSURES

As part of our Sustainability Vision Statement, the Group is committed to aligning itself with the recommendations of the TCFD. The recommendations form the basis for the International Sustainability Standards Board's draft IFRS Sustainability Disclosure Standard, which act as a guide for businesses to categorise, manage and report on climate-related risks. The Group has developed three-year approach to further enhance its climate-related governance initiatives, embed climate-related considerations within its strategy, conduct more in-depth assessment of climate-related risks and encapsulate the relevant finding within its enterprise risk management system. At the same time it will set quantitative short, mid and long-term emissions reduction targets to track performance and ensure continued progress towards achieving the Group's net zero commitment.

The Group's climate-related progress for the reporting period is as follows:

<p>GOVERNANCE</p> <ul style="list-style-type: none"> Announced the establishment of Sustainability Committee to oversee ESG materiality and sustainability reporting Delegated the responsibilities of strengthening climate-related risks oversight to Risk Management Committee Enhanced board competency on climate issues through training 	<p>STRATEGY</p> <ul style="list-style-type: none"> Evaluated the Group's vulnerability and preparedness on climate-related risks under both 1.5°C and 3°C scenarios Carried out a high-level climate-related risks and opportunities identification exercise
<p>RISK MANAGEMENT</p> <ul style="list-style-type: none"> Embedded climate-related risk factors into decision making across KLN's business operations 	<p>METRICS AND TARGETS</p> <ul style="list-style-type: none"> Evaluated the current Scope 1, 2 and 3 emissions data collection procedures and conducted preparatory works to improve Scope 3 inventory Continued to explore opportunities to develop science-based targets (SBTi)

GOVERNANCE

BOARD'S OVERSIGHT OF CLIMATE-RELATED RISKS AND OPPORTUNITIES

The Group has integrated climate-related governance practices into all levels of the organisation, including the Board, management, and functional units. The Board has ultimate accountability for overseeing the Group's sustainability issues, including climate-related issues and respective strategies. Board meetings are conducted quarterly, where discussions on climate-related risks and opportunities identified would be reported to the Board of

Directors by the Sustainability Committee. The Group's [Climate Change Policy Statement](#) is further reviewed and approved by the Global Management Board, comprising Board Members and Senior Management. They are also accountable for overseeing the development and adoption of the policy. Training workshops on TCFD and SBTi were further delivered to Board Members to boost their knowledge of climate-related issues.

Under the delegation of the Board, the RMC, chaired by the Group Managing Director, is responsible for strengthening oversight of climate-related risks and recommending and implementing strategies to mitigate them. The SC, chaired by the Managing Director, is responsible for overseeing the materiality of climate-related issues, and ensuring that the Group's sustainability objectives and performance are reported accurately and transparently.

The Group has established several management teams and committees to ensure that climate related risks and opportunities are assessed and managed across the Group. For more details, please refer to the section titled "Governance Structure" in this report.

STRATEGY

STRATEGY TO ADDRESS ACTUAL AND POTENTIAL IMPACTS OF CLIMATE-RELATED RISKS

EVALUATING CLIMATE-RELATED RISKS AND OPPORTUNITIES

During the reporting period, the Group engaged an external consultant to evaluate its climate-related opportunities and risks over various time horizons with reference to the TCFD recommendations. The Group's vulnerability and preparedness regarding climate-related risks have been assessed to determine which risk factors are significant to KLN's business operations. With the consideration of both 1.5°C and 3°C scenarios, potential risks that have been identified in the medium or long-term time horizons include

physical risks such as sea level rise, extreme heat, coastal flooding, extreme precipitation, typhoons and droughts, as well as transition risks such as price impact of fuel and technology investments, and rising carbon prices. Such risks may potentially impact the Group in the form of increased operational costs, lost revenue due to service disruptions, impact on transport routes or a decrease in employee productivity etc.

There are also potential opportunities to be captured, such as increasing consumer demand for environmentally-friendly logistics solutions, as well as use of lower emission sources of energy to support the Group's resilience to carbon tax or carbon price fluctuations. These may allow the Group to take advantage of new revenue streams and avoid potential cost impacts.



A solar panel of 49,100 sq.ft was installed on the roof of Kerry Logistics Centre (Tampines) in Singapore in October 2022

OVERVIEW OF CLIMATE-RELATED RISKS AND OPPORTUNITIES

Category	TCFD Taxonomy	Specific Risk/ Opportunity	Time Horizon	Detailed Description	Potential Impact
Transition Risk	Technology	Price impact of fuel and technology investments	Medium Term	As the price of fuel and investments to replace existing technology increase, it is expected that the costs of air freight, shipping, and road transport will also increase. This is because transport companies will incur upfront costs and timing decisions related to these increases. For example, transport companies may need to invest in new technology to reduce the amount of fuel consumed, or they may need to invest in fuel-efficient vehicles to reduce costs and emissions.	<ul style="list-style-type: none"> • Increase in operational cost
Transition Risk	Policy	Carbon Price	Medium Term	Carbon prices are expected to rise, which could lead to increased instability in business operations. This could have a significant effect on internal environmental management, operating decision-making, and operating costs for the company.	<ul style="list-style-type: none"> • Increase in operational cost
Transition Opportunity	Reputation and Market Preference	Consumer demand for environmentally friendly logistics solutions	Long Term	With the increased focus on climate change and environmental protection, many customers are looking for environmentally friendly logistics solutions. This presents an opportunity for companies to capitalize on this trend by providing different green logistics solutions. For example, companies could provide services such as carbon offsetting, sustainable packaging, green delivery, and more. Additionally, providing such services can help companies attract more environmentally conscious customers and build long-term relationships.	<ul style="list-style-type: none"> • New revenue stream due to shift in market demand
Transition Opportunity	Energy Source and Resilience	Use of lower emission sources of energy	Medium/ Long Term	The use of alternative fuels can help the Group to become more resilient to any increases in carbon taxes or carbon prices by reducing total emissions from operations. In addition, utilising alternative fuels can help companies to meet environmental regulations and demonstrate their commitment to sustainability.	<ul style="list-style-type: none"> • Avoided cost impact
Physical Risk	Chronic Physical Risk	Sea level rise	Long Term	Rising sea levels may disrupt shipping services and affect transportation routes due to ports and facilities experiencing sea level rise. Sea level rise can cause flooding, erosion, and other damage to ports and related facilities, which can result in delays and other disruptions to shipping services.	<ul style="list-style-type: none"> • Loss of revenue due to service disruptions • Increased operational expenses due to the impact on transport routes

Category	TCFD Taxonomy	Specific Risk/ Opportunity	Time Horizon	Detailed Description	Potential Impact
Physical Risk	Chronic Physical Risk	Extreme heat	Medium/ Long Term	<p>Sustained higher temperatures over time or extreme heat waves may potentially lower employees' productivity and result in higher energy costs for cooling infrastructure.</p> <p>Extreme heat may also negatively affect transport routes due to its impact on railway tracks, roads and runways. High temperatures can cause the tracks, roads and runways to buckle, which can cause delays and other disruptions to transportation services.</p>	<ul style="list-style-type: none"> Increased operational costs due to decrease in employee productivity Increased operational costs of cooling and impact on transport routes Loss of revenue due to service disruptions
Physical Risk	Acute Physical Risk	Coastal flooding	Long Term	Coastal flooding due to storms, high tides, and surges can damage or destroy assets, warehouses, ports, and other property, resulting in significant losses. Storms, high tides, and surges can overwhelm coastal areas, leading to flooding and erosion. This can damage or destroy assets, infrastructure, and property, resulting in significant losses.	<ul style="list-style-type: none"> Loss of revenue due to service disruptions Increased operational expenses due to impact on transport routes Damage assets and increasing repairing costs
Physical Risk	Acute Physical Risk	Extreme precipitation	Long Term	Extreme precipitation, such as heavy rain, snow, or hail, can cause significant damage, including flash flooding, which can damage assets, infrastructure, disrupt services, and make it difficult for people to access essential services.	<ul style="list-style-type: none"> Loss of revenue due to service disruptions Increased operational expenses due to impact on transport routes
Physical Risk	Acute Physical Risk	Typhoons	Medium/ Long Term	Typhoons may cause extensive flooding, property and infrastructure damage (road transport and electricity supply), service disruption (transportation and delivery), which can lead to significant economic impacts.	<ul style="list-style-type: none"> Loss of revenue due to service disruptions Increased operational expenses due to impact on transport routes Damage assets and increasing repairing costs
Physical Risk	Chronic Physical Risk	Droughts	Medium/ Long Term	Increased frequency of droughts can cause significant disruption to shipping operations, as it can impact shipping routes. Droughts can reduce water levels in rivers and other waterways, making them too shallow for ships to navigate.	<ul style="list-style-type: none"> Loss of revenue due to service disruptions

CONDUCTING LOCATION-SPECIFIC CLIMATE-RELATED RISK ASSESSMENT

The vulnerability of the Group's assets will vary depending on the characteristics such as the asset's structure, materials, location, and surrounding environment. Therefore, the Group is in the process of conducting a detailed location-specific climate-related risk assessment to determine the potential threat posed to KLN's warehouses, transfer centres, offices and other physical assets, with the aim to factor assessment results into the Group's strategic decision-making and future financial planning processes.

RISK MANAGEMENT

As a multinational company principally focused on integrated logistics and international freight forwarding businesses, adverse weather effects, increased temperatures and other impacts brought about by climate change will undoubtedly affect the maintenance and full utilisation of the Group's existing transport routes around the world. The Group ensures that climate-related risks are accounted for in its business strategies and operations, through the development of contingency plans, active monitoring and management of risks, as well as staying informed of any new policies and changes in the market that could affect the Group's operations.

CLIMATE RISK ANALYSIS OF OUR BUSINESS OPERATIONS

The Group has conducted a thorough climate risk analysis of its business operations with the assistance of external consultants, with the aim of ensuring climate risks are reflected proportionally in the overarching risk management policy. The climate risk analysis was split into two phases, analysing both 1.5°C and 3°C scenarios. The first phase consisted of an indicative analysis of all physical and transitional climate risks, taking into consideration the three facets of severity, likelihood and vulnerability, as well as considering both short-term and long-term trends. The second phase consisted of an in-depth analysis of climate risks faced by physical assets owned or operated by the Group, prioritised by economic output and concentration of assets in the respective geographical location to provide a granular assessment of physical assets and allow for a more targeted evaluation.

Moving forward, the Group may consider the possibility of more frequent climate risk reviews to ensure that any landscape changes are considered and that conclusions remain valid.

METRICS AND TARGETS

MEASURING AND REPORTING ENVIRONMENTAL PERFORMANCE AND CLIMATE-RELATED PROGRESS

The Group measures a variety of climate-related metrics that allow it to measure its environmental performance against its stated goals. The Group annually reports its Scope 1, 2 and selected Scope 3 GHG emissions in accordance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and in line with the GHG Protocol, and a comprehensive account of the Group's environmental metrics is disclosed in "Appendices – Environmental Performance Data".

ACHIEVING NET ZERO EMISSIONS BY 2050

In 2021, the Group committed to achieving net zero emissions from its operations and value chain by 2050. The Group is exploring opportunities to develop science-based targets, which offer a clear pathway for emissions reduction, and is currently in the process of setting short-, medium- and long-term targets under SBTi's strict criteria. At the same time, the Group continues to explore decarbonisation solutions such as alternative fuels for air freight and sea freight, and the design of low carbon logistics solutions for customers. To further facilitate its SBTi progress, the Group has commissioned a new ESG data management system to improve data management efficiency and data quality, which allows for the assignment of data management responsibilities among data owners, as well as data review functions to facilitate deeper performance analysis.

MINIMISING ENVIRONMENTAL FOOTPRINT

The Group understands the importance of limiting the impact of its business activities on the environment and natural resources, and has published an [Environmental Policy Statement](#) which sets out its commitment to high standards of pollution prevention, resource preservation and legal compliance.

ENVIRONMENTAL MANAGEMENT SYSTEM

The environmental management practices adopted by KLN are guided by the ISO 14001 standard. The Group's operations in Hong Kong, the Mainland of China, Singapore and some countries in Europe are certified by ISO 14001. By keeping abreast of best practice and adhering to all applicable laws and regulations, the Group strives to prevent environmental damage arising from its operations.

AIR EMISSIONS AND SPILLAGES

The Group has been taking active steps to phase out vehicles with lower emissions standards to reduce air pollution. For details, please refer to the section headed "Tackling Climate Change – Decarbonising Logistics Operations".

Air Emissions in 2022	Tonnes
Nitrogen oxides (NO _x)	2,416
Sulphur oxides (SO _x)	6
Respirable suspended particulate (RSP)	156

Because the Group stores and transfers chemical materials for its customers, it puts strict protocols in place to prevent potential spillages or fires. They include proper storage and handling of hazardous materials, regular maintenance of equipment, and regular training on spill response and emergency procedures.

WASTE MANAGEMENT

Waste management is a critical part of the Group's sustainability strategy. KLN aims to reduce the creation of waste, minimise the amount of material sent to landfills, and to continue exploring ways to reduce waste by applying the Group's mantra of Reduce, Reuse, Recycle, Replace in the coming years.

Strategy	Practices
<p>REDUCE: Reduce consumption at the source</p>	<ul style="list-style-type: none"> • Reduce consumption of inbound and outbound packaging material (pallets, carton boxes, cardboard containers, dunnage and lashing materials) by combining packaging at each delivery point • Reduce paper consumption through digitalisation by using electronic archives and documents, online communication and electronic approvals instead of paper signatures • Encourage double-sided printing
<p>REUSE: Reuse materials or products in their original forms</p>	<ul style="list-style-type: none"> • Use of re-treaded tires to extend their life-cycle where appropriate • Reuse of carton boxes • Reuse of paper printed on one side
<p>RECYCLE/RECOVER: Recycle materials that would otherwise be disposed of as waste and turn them into new products</p>	<ul style="list-style-type: none"> • Recycle regulated electrical equipment (“REE”) under the Producer Responsibility Scheme on Waste Electrical and Electronic Equipment (“WPRS”) in Hong Kong • Recover heavy metals from the waste of electrical and electronic equipment (“WEEE”) such as obsolete computers, electronic goods and customers’ products • Promote the use of recycled paper • Recycle coffee grounds and food waste
<p>REPLACE: Replace materials with alternative environmentally friendly materials</p>	<ul style="list-style-type: none"> • Replace carton boxes and wood pallets with more durable or recycled alternatives, such as logistics carts, plastic tote boxes and plastic pallets • Apply bio-based plastics packaging material in some logistics projects to replace fossil-based plastics • Promote the use of paper from sustainable sources, such as the printing of the Group’s annual reports with Forest Stewardship Council (“FSC”) certified paper

DEPLOYING A FOOD COMPOSTING MACHINE

A major contributor to Hong Kong’s mounting landfills is food waste, which emits the greenhouse gas methane. The Group decided to reduce its own food waste footprint by installing a food composting machine in the cafeteria at its Hong Kong headquarters.

By converting food waste into effluent water, this initiative has a three-pronged effect: reduction of waste sent to landfills, prevention of methane released into the atmosphere, and less fuel consumed to transport food waste to landfill sites. Initiatives like this underline KLN’s ambition to reduce its environmental footprint in every aspect of its operations.

HANDLING HAZARDOUS WASTE

As part of its rigorous control on hazardous waste handling, all of the Group’s Hong Kong warehouses are registered “Chemical Waste Producer(s)”, as specified under local regulations. Major waste categories include lubricating oil, organic solvents, pesticides, fluorescent tubes, refrigerants, and printed circuit boards. The Group only engages with licensed waste collectors to handle hazardous waste with potential to damage the environment.

Waste in 2022	Tonnes
Hazardous waste	142
Non-hazardous waste	28,423

Waste in 2022	
Hazardous waste intensity	<0.1 tonne(s)/ (HKD million)
Non-hazardous waste intensity	0.3 tonne(s)/ (HKD million)

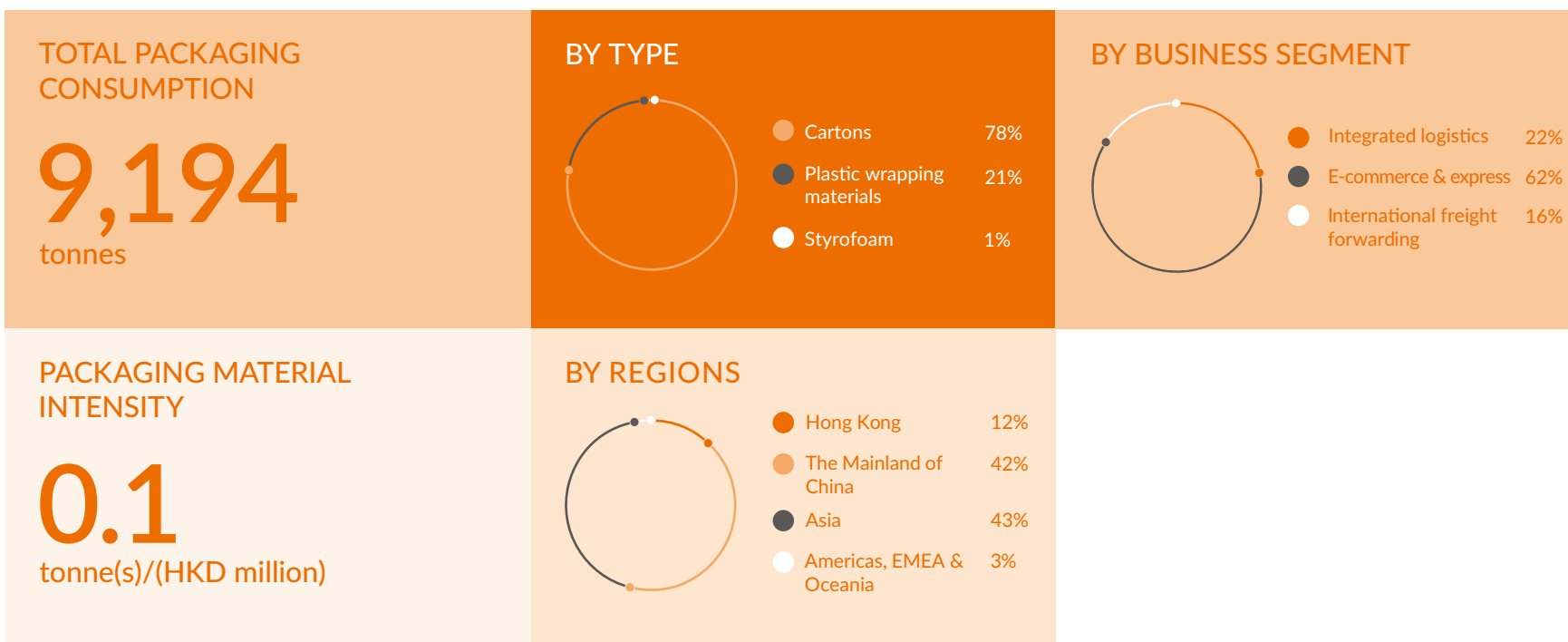
PACKAGING MATERIALS

Packaging is an indispensable component of the Group's storage, distribution, and transport services. KLN's packaging consumption comprised of three key elements – shrink-wrap film, boxes and pallets.

The Group has made a commitment to choose longer lasting and recycled materials to reduce

raw material usage. In the Group's operations in the Mainland of China, packaging materials are procured in accordance with national green packaging standards. In Thailand, the Group has launched 100% recycled packaging for its parcel boxes and all packaging is composed of at least 70% recycled materials. To reduce packaging waste, KLN will work closely with its suppliers to improve recyclability through the exploration of new packaging materials and formats.

PACKAGING IN 2022



IMPLEMENTATION OF BIOBASED PACKAGING MATERIAL

Recognising the industry's contribution to tremendous waste arising from packaging materials, the Group is taking steps to transition towards sustainable alternatives. In Hong Kong, plastic has been replaced with sustainable bio-based packaging material. This bio-based packaging is 100% compostable and is made from natural resources and agricultural waste. It is free from any fossil-fuel based materials and yet has the same function and performance as plastics in terms of strength and elasticity. This bio-based material has been sourced for various categories of packaging products including stretch film, void fill, bubble sheets, and courier bags. To encourage wider implementation, 6,900 kilograms of bio-based film were purchased in 2022.

WATER EFFICIENCY

The Group's business activities do not consume a large amount of water resources, and water is primarily used for domestic purposes such as drinking and sanitation within KLN's operations. The Group encourages its employees and stakeholders to conserve water, and is not aware of any water shortage difficulties in the regions where it operates.

KLN is aware of the value of water as a precious resource and actively promotes water conservation throughout its business activities. Despite its low use of water, the Group aims to manage its activities in a way that protects water resources and minimises its operational water footprint. KLN is committed to exploring options to reduce water consumption and taking action where necessary.

GREEN BUILDINGS

The Group recognises that optimising the environmental performance of its logistics facilities plays a critical role in reducing emissions and conserving resources. This understanding is central to the design and development of new facilities and alterations to existing buildings. The Group's Tai Po Product Customisation and Consolidation Centre ("PC³") in Hong Kong, Kerry Logistics Centre (Tampines) in Singapore and Kerry Shanghai Logistics Centre in the Mainland of China have achieved the Leadership in Energy and Environmental Design ("LEED") (Gold) recognition for the use of energy-efficient technology and resource-conservation measures including building structures and design, pollution management, high-efficiency lighting and heating, ventilation, and air conditioning systems, and the collection of rainwater to irrigate plants. PC³ is also the first industrial building in Hong Kong being awarded the Hong Kong Building Environmental Assessment Method ("HK-BEAM") (Gold) accreditation.

CONTINUING OUR ENERGY-SAVING INITIATIVES

In 2022, the Group has begun to test energy-saving technology across its Hong Kong operations. Initiatives include using paint with passive radiative cooling technology to reduce indoor temperatures, launching project in energy saving for air-conditioning system at PC³, and introducing more LED lighting and motion sensors. Meanwhile, the Group plans to work with an energy supplier to identify more energy management opportunities in order to save energy and costs for its Hong Kong premises.

ENVIRONMENTAL COMPLIANCE

The Group is compliant with all relevant environmental regulations and takes its compliance obligations seriously, including the Air Pollution Control Ordinance in Hong Kong and all other applicable environmental laws and regulations in jurisdictions that have a significant impact on the Group.



OUR CUSTOMERS



17 PARTNERSHIPS FOR THE GOALS



The Group's high-level of product and service quality is proven through its long-term customer relationships, and its approach to quality management is clearly set out in its [Quality Policy Statement](#). By maintaining a resilient and reliable supply chain network, KLN continues to explore ways to drive sustainable customer solutions and create value for its partners. The Group seeks to embed its supply chain with sustainable offerings from end-to-end, through the continual provision of exceptional services and ongoing innovation, in order to help customers meet their respective sustainability goals.

Our Targets

Keep abreast of technological developments and explore avenues to streamline our business processes, enhance efficiency, and deliver greater value to our customers

Our Prioritised SDGs and Targets



Target 17.16: Enhance the global partnership for sustainable development, complemented by multi-stakeholder partnerships that mobilise and share knowledge, expertise, technology and financial resources, to support the achievement of the sustainable development goals in all countries, in particular developing countries

Our Focus Areas

- Delivering excellence in logistics solutions
- Boosting innovation

DELIVERING EXCELLENCE IN LOGISTICS SOLUTIONS

IMPROVING CUSTOMER SATISFACTION

To maintain customer satisfaction and high operational standards, a quarterly business review is held with key customers to assess the Group's services. Where necessary, the Group works hand-in-hand with customers to jointly develop service improvement plans outlining corrective and preventative measures to optimise performance quality. In Thailand, KLN has introduced a Net Promoter Score (NPS) system to more precisely measure customer satisfaction. Meanwhile in the Mainland of China, sector-specific KPIs have been attached to monthly customer reviews to ensure they are being carried out effectively.

The Group's proactive approach to customer service is backed up by a well-established complaints handling procedure, through which all complaints are logged and resolved in a timely manner. Upon receipt of a complaint, a written response is provided within 24 hours, and appropriate remedial measures are taken as necessary. There were no substantiated complaints received during 2022 that had a significant impact on the Group.

INTEGRATED LOGISTICS ESG EXECUTIVE MEETING

In line with its ambition to lead the logistics industry into a more sustainable future, the Group recognises its responsibility to support business partners in transitioning to green solutions. In 2022, the Group's integrated logistics team in Hong Kong brought together leaders and representatives from 30 companies for an executive meeting. The event aimed to share best practices on reducing the industry's environmental impact and inspire customers to become part of the Group's solution for reaching its net zero emissions target by 2050. After the event, several clients expressed their interest in adopting green solutions offered by the Group, including the use of bioplastics in packaging materials.

LOGISTICS DAY AT KERRY CARGO CENTRE

In 2022, the Group served its customers by hosting a Logistics Day event at its Kerry Cargo Centre. The event featured talks and demonstrations, introducing operating processes, storage, pick and pack services and delivery system and a tour of the Group's warehouses and facilities to give customers a better understanding of the Group's rigorous processes, high-quality standards, and cutting-edge innovation.

BOOSTING INNOVATION

In today's fast-paced and constantly evolving world, businesses expect cutting-edge solutions to help streamline and optimise their operations. To meet this demand, the Group is dedicated to promoting and adopting innovation in its products and services, and is tirelessly exploring and implementing new technology to deliver resilient and efficient logistics solutions globally.

ROBOTICS AND AUTOMATION

A key area for significant investment is the use of robotics and automation in the Group's fulfilment and sorting centres. Through the introduction of Robotic Process Automation ("RPA"), the Group has increased the speed and efficiency of its operations. In back-office operations, RPA runs on a pre-set schedule, reducing the manual efforts of the customer service team by making automatic system updates and automating the generation and sending of exception reports.

In the Mainland of China, automated picking systems and cargo-to-human processes are in use across several facilities. In Hong Kong, meanwhile, an auto-sorting machine was installed at a handling facility specifically to meet the needs of a fast fashion e-commerce customer, which now benefits from a 20% increase in productivity and enhanced processing capabilities. The Group intends to roll out robotic arms and voice technology beyond the Mainland of China and Hong Kong in the next two years.

THE KOOLBUTLER SYSTEM

The KOOLButler goods-to-person system combines the flexibility of humans and the efficiency of machines. Automated guided vehicle ("AGV") robots move storage shelves to picking stations, eliminating the redundant walking of the picker, improving picking accuracy and warehouse space utilisation, and minimising the labour intensity of employees. Real-time shelf status and location can further be monitored via a dedicated Manager Dashboard, which also gives oversight of order handling and robotics battery level status.

DRIVING OPERATIONAL EFFICIENCY

The Group strives tirelessly to find new ways to improve productivity. It has introduced automated reporting systems for fleet management and warehouse inventory, allowing it to respond quickly to changing customer needs. The K-Digi smartphone app, meanwhile, allows customers to make electronic payments, book online shipments, and access shipment data via their devices, in addition to reducing manual labour and paper usage. In 2022, KOOLBees sorting robots were integrated into the Group's Hong Kong operations to improve warehouse sorting capacity, while the power of artificial intelligence ("AI") technology is being harnessed in the review of customs documents, improving efficiency by helping operational teams quickly and accurately process documents and reducing the risk of errors and delays. In Canada, a new

cloud-based warehouse management system was implemented to improve the efficiency and productivity of warehouse operations by integrating key functions such as inventory management, order fulfilment, and logging outbound shipments and goods receipts.

IMPROVING SUPPLY CHAIN VISIBILITY

High visibility of KLN's supply chain operations increases customer satisfaction and allows the Group to identify areas for improvement. The Group's C4 Dashboard enables real-time visibility for both internal employees and customers alike. For internal teams, the platform provides analyses of overall performance, cross-region and team performance, as well as providing data to monitor internal operations and quarterly business review metrics. Customers, meanwhile, have access to a tailored dashboard and good visibility of inventory transactions.

In the Mainland of China, a cloud-based dashboard has been implemented for monitoring of the Group's Less-Than-Truckload ("LTL") network, featuring real-time volume synchronisation to optimise routes and reduce carbon emissions, damage reports to improve service quality, and P&L and KPI analyses. The WeCom programme, a one-on-one platform of communication for frontline operators, guarantees a high level of operational skill throughout the Group's LTL network by streamlining training and internal communications. WeCom provides training through articles, pictures and videos, supplemented by online tests.





OUR BUSINESS ETHICS



16 PEACE, JUSTICE AND STRONG INSTITUTIONS

The Group prioritises ethics and upholds high standards of business practice in its operations. It strives to behave in ways that exceed industry standards by going the extra mile on data privacy, anti-corruption, protection of human rights, ethical partnerships and cybersecurity. The Group understands that building and maintaining trust is essential to its long-term success, and is dedicated to providing customers, stakeholders and employees with a safe, secure and ethical working environment. By taking proactive measures, the Group ensures that it remains a responsible corporate citizen and positions itself to succeed in a rapidly changing global environment.

Our Targets

- Raise our employees' awareness of anti-corruption safeguards and whistleblowing procedures
- Develop and enhance our data management and security systems to ensure that our customers' data is managed ethically and is not abused

Our Prioritised SDGs and Targets



- Target 16.5: Substantially reduce corruption and bribery in all their forms
- Target 16.6: Develop effective, accountable and transparent institutions at all levels

Our Focus Areas

- Adhering to Business Standards
- Protecting data privacy and security

ADHERING TO BUSINESS STANDARDS

The Group strives to uphold the highest standards of ethical business practice, which not only advances its sustainability mission, but also drives better behaviour across the logistics industry and supply chain. The Group takes a proactive approach to preventing incidents of corruption, bribery and money laundering, and utilises well-established grievance mechanisms to rectify any lapses of conduct. Through its daily business activities, KLN serves to be a role model in ethical business conduct and foster best practice throughout the value chain.

ANTI-CORRUPTION MEASURES

The Group's commitment to prevent all forms of bribery, corruption, fraud, money laundering and extortion are clearly stated in its [Global Anti-Bribery Policy](#). The policy was further adapted this year for the Group's Kerry Express (Thailand) Public Company Limited corporate division in accordance with Thailand Collective Action Against Corruption guidelines, which is better suited for the local environment and demonstrates its commitment to upholding high standards of integrity in the workplace. The Group ensures that any changes to the policy are clearly communicated with all employees.

To build awareness and understanding of business ethics among employees, the Group has crafted an extensive training and communication programme, customised to different target audiences across all regions and business functions. The Group's onboarding training for new employees comprises mandatory tests and case studies to ensure employees fully understand and can apply the subject matter. Employees and stakeholders can access the Group's policies through KLN's corporate website.

The Group has also formed taskforces to oversee policy compliance and investigate any potential violations via internal audits and random checks. These are coupled with external audits across business units to enhance the policies, operating procedures and workflows with the aim of reducing the risk of bribery, corruption, fraud and money laundering occurring across the organisation. Where any cases are identified, subsequent to thorough investigation, employees involved will be subject to immediate dismissal and appropriate legal actions.

CODE OF CONDUCT

The Group is committed to working closely with all of its business partners to ensure the highest standards of ethical business conduct are being implemented throughout its value chain. In doing so, the Group has established its Business Partner Code of Conduct, which references the Ten Principles of the UNGC and the UN SDGs. Based on the Universal Declaration of Human Rights and the fundamental Conventions of the International Labour Organization (“ILO”), alongside other internationally-recognised frameworks, this document sets out the basic principles that the Group’s business partners are required to uphold in areas including human rights, labour practices, the environment, product and services safety and anti-corruption.

Regular checks are conducted on suppliers and business partners to ensure that these standards are being met. In 2022, no violations of the Business Partner Code of Conduct from our key suppliers were identified. Where any violations are found, the Group will terminate business with the responsible third parties with immediate effect.

WHISTLEBLOWING POLICY

The Group’s approach towards safeguarding and encouraging employees across all levels to report any alleged malpractice, misconduct, or anomalies is outlined in its Whistleblowing Policy, which ensures that reported cases are followed up swiftly by the ACC and management. The policy is reviewed regularly to reflect changes to regulations in the regions where the Group operates. During the reporting period, the policy was revised in accordance with the Listing Rules. These revisions were clearly communicated with employees through the Group’s training and annual assessment as well as its website.

ETHICAL MARKETING AND INTELLECTUAL PROPERTY PROTECTION

To fulfil its commitment to acting with integrity, the Group recognises the importance of providing authentic information on its product and service offerings, as well as performance, to all stakeholders. The Group regularly updates stakeholders, particularly customers, on its latest progress and new products or services through channels including its corporate website, promotional emails and social media platforms.

The Group has set out Corporate Identity Guidelines, which act as a framework for KLN’s marketing and communication material. These guidelines are based on the principles of empathy, honesty, transparency and sustainability, and encourage employees to think from the customers’ point of view to prevent manipulation of information and foster clear communication of KLN’s products and services. The Group provides clear guidance for employees on marketing and advertising to ensure full understanding of its Corporate Identity Guidelines and ethical practices. No significant issues or wrongdoing which have significant impact to the Group were identified with regards to the Group’s marketing practices in 2022.

Intellectual property rights contribute significantly to the Group's assets and market value. The Group respects the intellectual property of its customers and business partners and works proactively with them to ensure all rights are protected through service contracts or non-disclosure agreements.

REGULATORY COMPLIANCE

The Group's business conduct is bound by regulations at both local and global level. KLN complies with the Prevention of Bribery Ordinance in Hong Kong and all applicable laws and regulations in every jurisdiction that has a significant impact on the Group.

No legal cases relating to corrupt practices were raised against the Group or its employees in 2022.

PROMOTING TRANSPARENCY

To remain transparent and sensitive to stakeholder needs, the Group actively promotes open dialogue and aims to create an environment where internal and external stakeholders can voice their opinions freely. A transparent reporting structure has been established to encourage stakeholders to report any concerns related to business ethics through clear channels of communication. Furthermore, the Group has continued to invest in platforms to improve communication between management,

employees and other stakeholders. Internal platforms include the social media app KLN World, V.O.I.C.E email system and the KLN intranet portal. Third-party social media platforms are also used to share information and communicate with stakeholders openly.

PROTECTING DATA PRIVACY AND SECURITY

The logistics industry is vulnerable to data privacy and cybersecurity issues in an era when digital transformation has accelerated data collection, usage, and reliance on cloud platforms for storage. The Group is dedicated to safeguarding both internal corporate data and external stakeholder information and has implemented robust data protection measures to meet its commitment.

DATA PRIVACY

The Group takes great care in handling all kinds of data collected from stakeholders. Its Privacy Policy sets out the measures it takes in managing the process of data collection and handling of sensitive stakeholder information and corporate data. The Privacy Policy provides employees with clear guidelines on how to identify and report potential data breaches and explains measures taken to ensure the Group's compliance with all relevant regulatory and statutory laws that have a

significant impact on the Group. Furthermore, the Group has also engaged competent personnel to monitor compliance and investigate any potential violations of its Privacy Policy. This policy has also been subject to localisation in accordance with specific regional regulations, and is updated as and when the governing laws and regulations change. For example, this year, our Thailand operation has updated its local version of the privacy policy to comply with the Personal Data Protection Act ("PDPA") of Thailand.

The Group believes that its employees and management form the first line of defence against cyber and phishing attacks. Therefore, as a pre-emptive measure, regular training on cybersecurity is provided to all employees. At present, the Group's IT team is in the process of developing data privacy training content, which will be showcased on KLN's e-learning platform.

In addition, the Group sets out clear guidelines for employees to follow during the handling of customer data in advertising and other situations. Many business contracts nowadays also include specific restrictions on use of customers' confidential information.

DATA SECURITY

In an effort to protect the data and information it produces, manages, stores and disseminates, the Group has outlined strict confidentiality procedures within its Information Security Management Policy Statement. The Group handles customer data with care and in adherence with strict security procedures. The Group is bound by the Personal Data (Privacy) Ordinance in Hong Kong, and all applicable laws and regulations in every jurisdiction that has a significant impact on the Group.

The approach taken by the Group in ensuring data security is described below.

MANAGEMENT SYSTEMS

To holistically protect its data, KLN has set up an information security management system which is in line with the ISO27001 standard. This system details guidelines for protecting information assets from any internal, external, intentional or accidental attacks and threats. The Group has further carved out standard operating procedures which specify the requirements for data classification and access control.

In engaging with third parties, the Group takes care to filter out partners that do not meet the required standards of IT security. KLN's management systems are frequently checked internally and audited by external parties to ensure their integrity.

TECHNOLOGY

The Group utilises firewalls and anti-virus software, which are updated on a regular basis. Spam filtering software is also in place.

ACCESS CONTROL

The Group only allows the installation of authorised software and protects IT equipment and personal laptops with strong password requirements.

TACKLING CYBER THREATS

The Group has invested in pre-emptive measures to avoid cyber-attacks and data breaches. To ensure safety, employees are required to use a multi-factor authentication software and change their passwords on a frequent basis. They are also encouraged to report suspicious emails and are made aware of phishing scams and cyber-attacks through frequent email alerts, instant messaging and training.

The Group has appointed cybersecurity specialists to evaluate any information security and data privacy risks on an ongoing basis. In the event that incidents of cyber-attacks or threats are detected, a detailed investigation is carried out by these specialists. To prevent such incidents, the Group takes great care to protect both internal and external data. In 2022, there were no substantiated complaints relating to breaches of customer privacy or losses of customer data.

PROACTIVE MEASURES IN CYBER-ATTACK PREVENTION

Cyber security protection measures employed by the Group include, but are not limited to, next generation firewalls, antivirus, intrusion prevention systems, and security information and event management. Meanwhile, the Group has adopted threat intelligence practices, which gather data from various sources and channels about current and potential cyber-attacks, to enhance its defensive capabilities through in-depth analysis and better collaborative knowledge. To ensure it is well prepared for potential attacks, the Group has appointed external cyber security experts to provide round-the-clock monitoring and alert internal teams in the event that they need to take swift action.



OUR SUPPLY CHAIN



(This page contains computer-processed images)

The rising demand for logistics services means supply chains are becoming increasingly complex and diversified. The Group shares a vision with its suppliers and customers around the world to build a strong and sustainable network. By displaying best practice to preserve the environment, care for its people and empower communities, the Group aims to inspire its business partners to adopt sustainable business practices.

Our Targets

Communicate our code of conduct with our business partners and ensure they uphold the highest standards of labour practice and human rights

Our Prioritised SDGs and Targets



Target 8.8: Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular, women migrants, and those in precarious employment

Our Focus Areas

Sharing our ESG values with suppliers

SHARING OUR ESG VALUES WITH SUPPLIERS

The Group's suppliers are an integral part of its value chain. Their business practices and activities contribute significantly to the Group's overall ESG performance. KLN partners with suppliers that exhibit the same values and vision and demonstrate a commitment to reducing their environmental and social impact.

SUPPLIER PROFILE

The Group works with a diverse range of suppliers and vendors, including owners of logistics facilities, airlines and shipping companies. They each add value in supporting the delivery of high-quality logistics solutions to KLN's customers.

As of 31 December 2022, the Group partnered with a total of 949 key suppliers, building a robust network across the globe.

Regions	2022
Hong Kong	114
The Mainland of China	327
Asia	177
Americas	106
EMEA	182
Oceania	43
Total	949

RESPONSIBLE PARTNERSHIPS

The Group is committed to only working with suppliers that can uphold its high standards of sustainable and ethical business practice. Its [Social Responsibility Policy Statement](#) outlines the expected commitment from suppliers in terms of integrity in business conduct, human rights and labour practices, environmental stewardship and employee health and safety. The Group requires contracted suppliers to adhere to its [Business Partner Code of Conduct](#), which sets out the responsibility for suppliers to carry out their business with integrity and honesty. Please refer to the section headed "Adhering to Business Standards" for further details.

SUPPLY CHAIN MANAGEMENT

The Group has implemented a detailed and comprehensive screening, evaluation and communication process to monitor its business partners and suppliers. In Hong Kong, a Green Specification List, which sets out minimum environmental standards of supplier equipment, plays a key role helping the Group meet its sustainable sourcing targets. When awarding contracts, the Group prioritises suppliers which can demonstrate a track record of participating in green initiatives and robust health and safety practices. In Myanmar, the Group has set a target to work only with suppliers that are certified with ISO9001:2015 (Quality Management System), ISO14001 (Environmental Management System), and ISO45001:2018 (Occupational Health and Safety Management System) by the fourth quarter of 2023.

Area	Precautionary Measures
Supplier Screening	New suppliers are subject to a rigorous pre-qualification process to determine whether they meet the criteria and are aligned with the Group's values
	Supplier contracts contain clauses with environmental or ethics-related requirements
	In 2022, the Group sent out the Business Partner Code of Conduct to all key suppliers to ensure their understanding of the Group's standard
Supplier Training	New suppliers are provided with training on Occupational Health and Safety and Environmental Management, among others
	Regular refresher training is provided to all suppliers, contractors and subcontractors
Supply Chain Disruption Response	The Group has established a process of structured performance evaluation and monitoring to develop contingency plans which enable it to maintain a high level of service reliability and business continuity in the event of any disruption to its supply chain
Supply Chain Risk Management	KLN Group shares its risk management protocols with its suppliers and ensures they adhere to its standards
	The process of evaluating and measuring risk is ongoing and is integrated into the day-to-day activities of the business
	The Group's operations teams are accountable for communicating risks with suppliers, contractors and subcontractors
Supplier Evaluation	Existing suppliers are subject to regular performance assessments to monitor the quality of their Environmental Management and Occupational Health and Safety
	Suppliers that fail to meet the Group's performance requirements must take corrective action promptly or face suspension from working with the Group
	In 2022, more than 780 suppliers of the Group's headquarters in Hong Kong had undergone performance evaluation, and more than 83% demonstrated performance that was rated acceptable or better
Supplier Communications	The Group regularly shares knowledge and expertise on good industry practice with suppliers and encourages the exchange of ideas to improve the sustainability of its supply chain
	In the Mainland of China, the Group regularly reminds its suppliers of industry regulations relating to the use of vehicles, replacement of vehicles with low-emission alternatives and service quality
	In Hong Kong, all subcontractors and business partners are encouraged to change their delivery vehicles with models that meet Euro 6 carbon emissions standards

SUSTAINABLE PROCUREMENT PRACTICES

In an effort to further reduce its impact on the environment, the Group published a [Sustainable Procurement Policy Statement](#) in 2022. This policy is aimed at minimising the impact of climate change across the entire life cycle of goods and services. It outlines the efforts of suppliers, manufacturers, contractors and other parties involved with KLN to source goods and services in a transparent, sustainable and ethical manner. In addition to promoting the purchase and use of environmentally friendly packaging materials, KLN has continued to use recycled polyethylene ("PE") bags in its value-added service process. Over 300,000 units of RCS100 Recycled Claim Standard-approved recycled PE bags have been used in 2022 within the entire product life cycle.



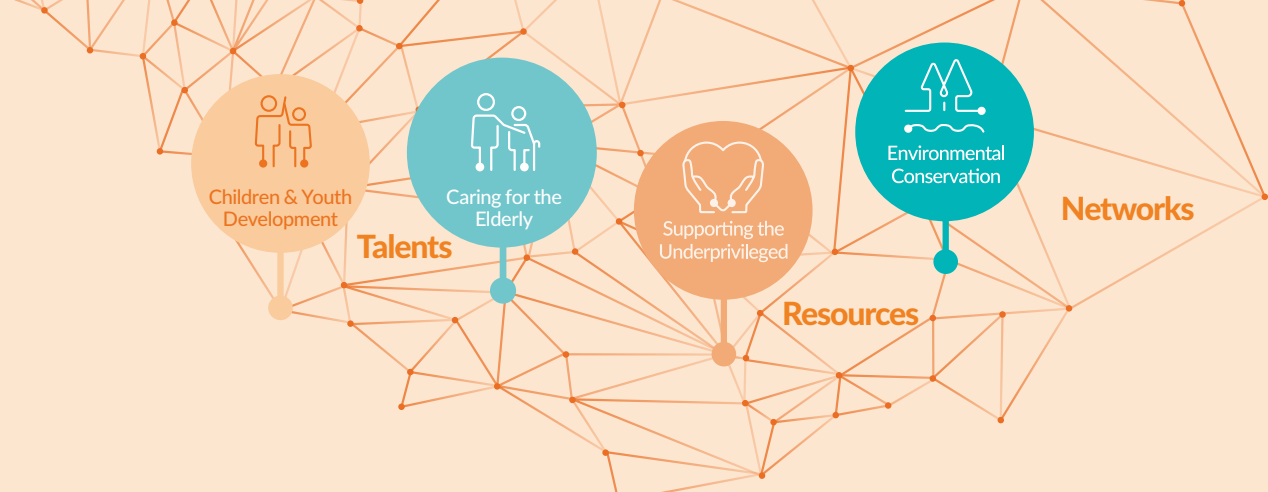
OUR COMMUNITY



17 PARTNERSHIPS FOR THE GOALS



The Group understands it must exist in harmony with its neighbours in each of the regions it operates in and invests in giving back to communities and empowering them through its outreach programmes.



Our Targets

- Encourage our employees to care for and contribute to the community through participating in charitable activities and volunteering services
- Leverage on our logistics expertise to provide solutions to the needy

Our Prioritised SDGs and Targets



Target 17.17: Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships

Our Focus Areas

Caring for the Community

CARING FOR THE COMMUNITY

The Group has outlined its overarching commitment to encourage employees to participate in community services, volunteering, and charitable activities within its Social Responsibility Policy Statement.

COMMUNITY FOCUS AREAS



Children & Youth

As future leaders of the economy and world, the Group recognises the importance of empowering children and young people. KLN continues to support projects that foster the wellbeing and employment of young people.



The Underprivileged

The Group strives to make a positive difference in society by assisting those in need. It aims to improve the welfare of underprivileged groups by funding and supporting for events cooperate with non-profit and charitable organisations.



The Elderly

In an era defined by technological advancement and economic instability, the elderly are faced with unique challenges. The Group supports initiatives that aid the improvement of healthcare and lifestyle of senior citizens.



The Environment

The Group takes responsibility to care for the environment and is working towards reducing its footprint. Community initiatives are part of its plan to lead the industry towards a greener and more sustainable future.

KLN puts its networks, resources and expertise to good use to cultivate a positive and supportive environment for communities. The Group aims to serve communities through a varied and localised programme of engagement activities, which are focused on four areas of importance – children

and youth, the elderly, the underprivileged and the environment. Through the partnership with social enterprises and NGOs, it establishes long term social actions and programmes that contribute positive impact to the society.

VOLUNTEERING AND DONATIONS

In 2022, the key initiatives and achievements are summarised below. Furthermore, the Group has advanced the Volunteer Service Scheme, aimed at encouraging employees to contribute their time and skills to various social and environmental causes.



Children & Youth

The Group collaborates with educational institutions and non-governmental organisations to help and develop children and young people through volunteer work, charitable giving, and career-related programmes.

In Hong Kong, the Group collaborated with the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the Education Bureau to organise a business competition for secondary school students. The competition was accompanied by a presentation which was attended by 280 students. KLN’s background and missions, financial highlights and ESG initiatives were among the accomplishments shared with the students.

Other events and webinars included “Christmas Fun For Kids”, “Volunteer From Home”, “Play with Your Kids” and “Teach Your Kids About Money”.

At the Group’s operations within the Mainland of China, an open day was held to help familiarise high school graduates with KLN’s business and discuss potential career opportunities.

In Thailand, the Group provides annual scholarship and internship opportunities to outstanding students from Naresuan University.

The Group’s Oceania divisions provide sponsorships and donations to help alleviate child poverty. They also offer a number of internal and external career and personal development programmes, cadetships and subsidise further education programmes for young people.



The Underprivileged

The Group offers assistance to the underprivileged in both developed and underdeveloped nations.

In Hong Kong, the Group collaborated with Yang Memorial Methodist Social Service (“YMMSS”) to provide vocational training. The initiative equips disabled and less privileged members of society with job skills and confidence to help them forge a career. Since the program launched in September 2022, participants have helped the Group to handle more than 300,000 samples of cosmetic products. Events focused on supporting the underprivileged in Hong Kong include “Love Teeth Day 2022” and “Water for ALL 2022”.

In Thailand, the Group has provided job opportunities to the elderly and disabled, ensuring a positive working environment for all staff regardless of gender and background.

In the Mainland of China, KLN has organised fund-raising activities to support underprivileged families and children, by paying medical and surgery fees, for example.



The Elderly

The Group offers a host of community services to help the elderly.

At the Group's Hong Kong headquarters, a visit to an elderly nursing home was organised for employees during the Mid-Autumn Festival. Additionally, as part of the "Shall We Talk" initiative by KLN, employees volunteered to chat with elderly people over the phone to provide support and companionship. Moreover, employees had the opportunity to volunteer for a "Dim Sum Cooking Workshop" together with elderly participants.

In Thailand, the Group donates a variety of consumer goods on a monthly basis to elderly people.

In the Mainland of China, the Group provided daily necessities to the elderly during the COVID-19 lockdown in Shanghai.



The Environment

The Group supports employees to take part in environmental preservation initiatives.

In Hong Kong, employees volunteered to collect trash from the countryside while hiking as part of team building activities, in addition to participating in "Shorelines Clean-up Day" to support cleaner and healthier oceans.

In Thailand, the Group has organised environmental initiatives, which include a beach cleaning activity alongside local residents and the planting of a mangrove forest in a river estuary.

In Myanmar, KLN's Initial Environmental Examination ("IEE") report was approved by the Environmental Conservation Department in August 2022. The Group is in the process of working on an Environmental Monitoring Report, which set out environmental mitigation measures in line with Myanmar's environmental conservation laws and regulations.



The first Social Enterprise Marketplace event was held at the Group's global headquarters in Hong Kong to introduce sustainable businesses with clear social objectives to colleagues.

HUMANITARIAN AND PANDEMIC SUPPORT

The Group continues to intensify its efforts to provide humanitarian aid and relief logistics throughout the world. It has recruited a Humanitarian Partnership Director based in Singapore to provide expertise and oversee its aid work globally. In 2022, KLN saw a fall in pandemic response-related shipments, but growing demand for humanitarian logistics, spreading to new territories. During the year, the Group's relief logistics team focused on strengthening partnerships with its humanitarian partners, with an emphasis on emergency response and preparedness initiatives in the Asia Pacific region.

The Group has supported a global online retailer's humanitarian projects by providing it with trucking services to Central Europe for COVID-related supplies. In the Mainland of China, the Group organised an epidemic prevention transport assistance programme to distribute face masks to Shandong Province. Additionally, it transported and donated COVID-related supplies to the Shanghai Children's Medical Centre and Parent-child Hospital. The Group continues to explore ways that its collaboration with S.F. Holdings can enhance its response capability for disaster relief.

The Group values its partnerships with humanitarian actors and continues to invest in strengthening its know-how and understanding of solution building and response mechanisms to improve its expertise in providing humanitarian logistics.



Apart from the cooperation with social enterprises to recycle coffee grounds, a Coffee Grounds Soap Making Workshop was conducted for Hong Kong colleagues to make 100% natural and eco-friendly soap.

APPENDICES

ABOUT THE REPORT

The seventh annual sustainability report (the “report”) sets out KLN Group’s management approach and showcases its sustainability performance during the 12-month period ended 31 December 2022. This report should be read in conjunction with the Group’s Annual Report 2022, which provides information relating to financial performance and corporate governance.

This report also serves as the Group’s United Nations Global Compact (“UNGC”) Communication on Progress. As a signatory of

the UNGC, the Group endorses its commitments to the Ten Principles of the UNGC through its various initiatives and policies as mentioned in the report.

REPORTING SCOPE AND BOUNDARIES

Compared to the 2021 report, the reporting scope no longer includes businesses in Taiwan and disposed warehouses in Hong Kong. Unless otherwise stated, this report covers the Hong Kong headquarters and focuses on the principal business operations over which the Group has management control, including logistics operations, international freight forwarding and the express business in the Mainland of China, Hong Kong, Asia, Americas, EMEA and Oceania.

REPORTING STANDARDS

This report has been prepared in accordance with the Mandatory Disclosure Requirements

and “Comply or Explain” provisions of the Environmental, Social and Governance Reporting Guide (the “ESG Guide”) under Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and references GRI Standards from the Global Reporting Initiative. The Group uses selected GRI Standards, or part of their contents, to report specific information. Please refer to the Hong Kong Exchanges and Clearing Limited (“HKEX”) and GRI content indices for more information.

REPORTING PRINCIPLES

This report adheres to the reporting principles specified in the ESG Guide and reporting principles for defining report content and quality stated in the GRI Standards as follows:

Reporting Principles	Description
Materiality	Material sustainability concerns are identified through stakeholder engagement. The Board is involved throughout the process to review and validate the results. Please refer to the section headed “Stakeholder Engagement – Materiality Assessment” for more information.
Quantitative	Quantitative information is accompanied by a narrative, explaining its purpose, impact, and giving comparative data where appropriate.
Balance	An unbiased picture of the Group’s performance is provided by explaining achievements and the challenges faced by the Group.
Comparability and Consistency	Consistent methodologies are adopted to allow for meaningful comparisons of sustainability data over time. Any changes that may affect comparisons with previously reported information and performance will be explained accordingly.

Accuracy	A rigorous audit process is conducted to ensure the quality and veracity of information disclosed.
Clarity	The report is written in a manner that is comprehensible to stakeholders who have a reasonable understanding of the Group and its activities.
Completeness	All material sustainability topics identified by the Group in 2022 are addressed in this report to ensure complete disclosure.
Sustainability Context	Decisions on material sustainability matters take into account the Group's long-term strategy, risks, opportunities and goals whenever feasible.
Timeliness	The information in the report indicates the period to which it relates, providing stakeholders with consolidated disclosure of economic, environmental and social impact.
Verifiability	Information gathered, recorded, compiled, and analysed by the Group can be examined to establish its quality.

APPROVAL AND EXTERNAL ASSURANCE

The information documented in this report is sourced from the Group's official documents, statistical data, management and operation information, and is collected in accordance with the Group's policies. The report has been approved by the Board of Directors of the Company (the "Board") on 28 March 2023.

This report has been independently verified by the Hong Kong Quality Assurance Agency ("HKQAA") with respect to the extent of its coverage and information provided in accordance with the standards mentioned above. The independent verification statement is presented on page 84 of this report.

CONTACT US

This report is available in both English and Chinese on the Company's website (www.kln.com) and the HKEX's website. The Group welcomes feedback and comments from its stakeholders via email at IR@kln.com to strengthen its future sustainability reporting.

APPENDICES

SOCIAL PERFORMANCE DATA

Performance indicators	2022
Workforce Profile (at year end)	
Total workforce (Employee)	43,903
By gender	
Male	27,502
Female	16,401
By age group	
Under 30	17,076
30-50	23,927
Over 50	2,900
By employment type	
Full time	40,087
Part time	3,816

Performance indicators	2022
By employee category	
Managerial Staff	3,776
General Staff	40,127
By geographical region	
Hong Kong ⁽¹⁾	2,538
the Mainland of China	6,100
Asia	32,724
Americas	844
EMEA	1,536
Oceania	161
Total workforce (Non-employee workers) ⁽²⁾	16,923

Employee Turnover⁽³⁾

Total number and rate of voluntary turnover ⁽⁴⁾	21,193	45%
By gender		
Male	13,133	44%
Female	8,060	46%
By age group		
Under 30	12,933	65%
30-50	7,934	32%
Over 50	326	12%
By geographical region		
Hong Kong ⁽¹⁾	447	18%
the Mainland of China	776	13%
Asia	19,571	54%
Americas	99	14%
EMEA	268	18%
Oceania	32	20%

Employee Turnover⁽³⁾

Total number and rate of involuntary turnover ⁽⁵⁾	4,696	10%
By gender		
Male	3,256	11%
Female	1,440	8%
By age group		
Under 30	2,930	15%
30-50	1,635	7%
Over 50	131	5%
By geographical region		
Hong Kong ⁽¹⁾	79	3%
the Mainland of China	137	2%
Asia	4,368	12%
Americas	47	7%
EMEA	47	3%
Oceania	18	11%

Health and Safety⁽⁶⁾

Total Number of Work Injury Cases	166
Work Injury Rate ⁽⁷⁾	0.35%
Total Number of Work Fatal Cases	1
Work Fatal Rate ⁽⁸⁾	0.002%
Number of Lost Day Due to Work Injuries	2,428

Training and Development		
Total number and percentage of employee trained ⁽⁹⁾	38,190	87%
By gender		
Male	23,709	86%
Female	14,481	88%
By employee category		
Managerial Staff	3,421	91%
General Staff	34,769	87%
Total number of training hours and average training hour ⁽¹⁰⁾	282,001	6
By gender		
Male	179,124	7
Female	102,877	6
By employee category		
Managerial Staff	39,945	11
General Staff	242,056	6

Supply Chain Management		
Total number of suppliers		949
By geographical region		
Hong Kong		114
the Mainland of China		327
Asia		177
Americas		106
EMEA		182
Oceania		43

Anti Corruption		
Number of concluded legal cases regarding corrupt practices brought against the Group or its employees	0	0
Total number and percentage of employees receiving anti-corruption training	10,048	23%
By Employee Categories		
Managerial Staff	1,395	37%
General Staff	8,653	22%

Community		
Monetary donations to community events (HK\$)		2,325,380
Spending on community events (excluding monetary donations) (HK\$)		339,300

Remarks

- (1) It includes operations in Macau.
- (2) Non-employee worker as sub-contracting labours/outsourced labours performing in company's operational business.
- (3) Employee Turnover = Number of leavers during the reporting period / Average number of employees
- (4) Voluntary turnover refers to resignation.
- (5) Involuntary turnover refers to dismissal, contract-end, retirement, retrenchment.
- (6) It includes employees only.
- (7) Work Injury Rate = Total Number of Work Injury Cases / Average Number of Employees
- (8) Work Fatal Rate = Total Number of Work Fatal Cases / Average Number of Employees
In 2021, the number of work fatal cases and work fatal rate was 2 and 0.004% respectively, which was the first year that the Group collected and reported social data.
- (9) Percentage of employee trained = Total number of employee trained / Total number of employees
- (10) Average training hour = Total number of training hours / Total number of employees

APPENDICES

ENVIRONMENTAL PERFORMANCE DATA (1) (2)

Unit	Total	Total	By geographical region						By business segment			
	2022	2021 ⁽³⁾	2022						2022			
			Hong Kong	The Mainland of China	Asia	Americas	EMEA	Oceania	Integrated logistics	E-commerce & express	International freight forwarding	
Air Emissions⁽⁴⁾												
Nitrogen oxides (NO _x)	tonne(s)	2,416	1,518	33	79	2,237	0.3	58	9	389	1,745	282
Sulphur oxides (SO _x)	tonne(s)	6	12	<0.1	0.2	5	<0.1	0.6	<0.1	4	1	1
Respirable suspended particulate (RSP)	tonne(s)	156	139	3	6	142	<0.1	4	1	35	99	22
GHG Emissions⁽⁴⁾⁽⁵⁾												
Direct GHG emissions (Scope 1)	tonnes of CO ₂ -e	322,253	345,251	22,205	16,201	259,214	1,016	17,468	6,149	64,992	196,372	60,889
Energy indirect GHG emissions (Scope 2)	tonnes of CO ₂ -e	80,542	100,552	16,017	20,945	38,855	568	1,761	2,396	50,795	19,250	10,497
Total GHG emissions (Scope 1 and 2)	tonnes of CO ₂ -e	402,795	445,803	38,222	37,146	298,069	1,584	19,229	8,545	115,787	215,622	71,386
GHG intensity (Scope 1 and 2)	tonnes of CO ₂ -e/ (HKD million)	5	6									
GHG removals from newly planted trees	tonnes of CO ₂ -e	6	8	-	-	2	-	4	-	1	-	5
Scope 3 - Upstream Transportation and Distribution ⁽⁶⁾	tonnes of CO ₂ -e	2,070,159	2,383,660									
By transport mode	tonnes of CO ₂ -e											
Aviation	tonnes of CO ₂ -e	1,276,703	1,483,965									
Marine	tonnes of CO ₂ -e	793,456	899,695									

Unit	Total	Total	
	2022	2021 ⁽⁹⁾	
Waste			
Hazardous waste ⁽⁷⁾	tonne(s)	142	32
Hazardous waste intensity	tonne(s)/ (HKD million)	<0.1	<0.1
Non-hazardous waste	tonne(s)	28,423	44,222
Non-hazardous waste intensity	tonne(s)/ (HKD million)	0.3	0.5
Energy ⁽⁴⁾			
Total direct energy consumption (non-renewable)	MWh	1,673,098	1,115,146
Diesel	MWh	1,035,410	1,078,225
Petrol	MWh	15,339	26,020
Liquefied petroleum gas	MWh	2,808	6,195
Natural Gas	MWh	1,410	1,443
Gas Oil	MWh	4,031	3,264
Compressed Natural Gas	MWh	614,100	-
Total direct energy consumption (renewable)	MWh	901	773
Solar	MWh	768	773
Bioethanol ⁽⁸⁾	MWh	-	<0.1
Hydropower	MWh	133	-
Total indirect energy consumption	MWh	164,389	208,482
Electricity	MWh	164,389	208,482
Total energy sold	MWh	657	4,931
Total energy consumption ^{(9) (10)}	MWh	1,837,731	1,319,471
Energy intensity	MWh/ (HKD million)	21	16

By geographical region					
2022					
Hong Kong	The Mainland of China	Asia	Americas	EMEA	Oceania
10	3	123	-	6	-
5,423	1,918	6,057	132	14,854	39
21,455	76,400	977,430	3,624	587,436	6,753
16,118	47,295	931,204	1,849	32,264	6,680
340	8,006	3,549	1,775	1,601	68
1,136	-	1,663	-	4	5
-	-	-	-	1,410	-
3,861	3	167	-	-	-
-	21,096	40,847	-	552,157	-
-	266	502	133	-	-
-	266	502	-	-	-
-	-	-	133	-	-
40,803	36,225	78,385	1,376	4,487	3,113
40,803	36,225	78,385	1,376	4,487	3,113
495	-	125	-	37	-
61,763	112,891	1,056,192	5,133	591,886	9,866

By business segment		
2022		
Integrated logistics	E-commerce & express	International freight forwarding
79	48	15
11,157	672	16,594
159,793	721,690	791,615
143,008	719,947	172,455
4,321	1,743	9,275
1,850	-	958
-	-	1,410
3,863	-	168
6,751	-	607,349
587	-	314
587	-	181
-	-	-
-	-	133
103,288	41,215	19,886
103,288	41,215	19,886
620	-	37
263,048	762,905	811,778

Unit	Total		By geographical region						By business segment			
	2022	2021 ⁽³⁾	2022						2022			
			Hong Kong	The Mainland of China	Asia	Americas	EMEA	Oceania	Integrated logistics	E-commerce & express	International freight forwarding	
Water												
Total water consumption	cubic meters	1,169,181	1,024,717	47,131	314,779	732,119	17,607	50,245	7,300	446,565	473,800	248,816
Water intensity	cubic meters/(HKD million)	13	13									
Packaging Material												
Total packaging material consumption	tonne(s)	9,194	22,271	1,096	3,884	3,908	109	185	12	1,991	5,705	1,498
Packaging material intensity	tonne(s)/(HKD million)	0.1	0.3									
By Categories												
Cartons	tonne(s)	7,182	11,051	746	3,390	2,926	45	69	6	1,371	5,080	731
Plastic wrapping materials	tonne(s)	1,964	11,180	341	494	967	64	92	6	600	625	739
Styrofoam	tonne(s)	48	40	9	-	15	-	24	-	20	-	28

Remarks

- (1) Starting in 2022, environmental data covers key operations in its applicable regions and business segments.
- (2) Numbers have been subject to rounding. Any discrepancies between the total shown and the sum of the amounts listed are due to rounding.
- (3) 2021 data covers activities from discontinued operations.
- (4) 2021 emissions data and energy consumption data was recalculated for greater accuracy and data completeness.
- (5) Various methodologies were adopted for the calculation of Scope 1 and Scope 2 emissions. The calculation of Scope 1 emissions was based on guidance from Appendix 2 of the ESG Guide from The Stock Exchange of Hong Kong Limited, in addition to DEFRA's 2022 guidelines. The calculation of Scope 2 emissions was based on the guidelines of IFI Default Grid Factors 2021 v3.1 from the United Nations Framework Convention on Climate Change.
- (6) Upstream Transportation and Distribution is one of the scope 3 emissions categories that is highly relevant to KLN's business. Based on available export shipment data, KLN has updated its Scope 3 emissions calculation methodology by adopting the Global Logistics Emissions Council ("GLEC") framework. The calculation has been changed from the basis of 'tank-to-wheel' to 'well-to-wheel'.
- (7) The increase in hazardous waste in 2022 is largely due to an adjusted reporting scope for greater accuracy and data completeness.
- (8) 2021 biomass data was recalculated into bioethanol data for greater accuracy and data completeness.
- (9) Total energy consumption = total direct energy consumption (non-renewable) + total direct energy consumption (renewable) + total indirect energy consumption - total energy sold.
- (10) In 2022, the energy consumption increased mainly due to a newly reported type of fuel (i.e. Compressed Natural Gas).

APPENDICES

HKEX ESG REPORTING GUIDE

CONTENT INDEX

Subject Areas, Aspects and KPIs	Description	Sections/References/Remarks
Mandatory Disclosure Requirements		
Governance Structure		Governance, Our Environment
Reporting Principles		About the Report
Reporting Boundaries		About the Report
“Comply or Explain” Provisions		
A. Environmental		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Tackling Climate Change, Minimising Environmental Footprint, Governance
KPIA1.1	The types of emissions and respective emissions data.	Tackling Climate Change, Environmental Performance Data
KPIA1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility).	Tackling Climate Change, Environmental Performance Data
KPIA1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility).	Minimising Environmental Footprint, Environmental Performance Data
KPIA1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility).	Minimising Environmental Footprint, Environmental Performance Data
KPIA1.5	Description of emissions target(s) set, and steps taken to achieve them.	Our Environment, Tackling Climate Change
KPIA1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set, and steps taken to achieve them.	Minimising Environmental Footprint

Subject Areas, Aspects and KPIs	Description	Sections/References/Remarks
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Minimising Environmental Footprint
KPIA2.1	Direct and/or indirect energy consumption by type (e.g., electricity, gas or oil) in total (kWh in '000s) and intensity (e.g., per unit of production volume, per facility).	Environmental Performance Data
KPIA2.2	Water consumption in total and intensity (e.g., per unit of production volume, per facility).	Environmental Performance Data
KPIA2.3	Description of energy use efficiency target(s) set, and steps taken to achieve them.	Our Environment, Minimising Environmental Footprint
KPIA2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set, and steps taken to achieve them.	Minimising Environmental Footprint
KPIA2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Environmental Performance Data, Minimising Environmental Footprint
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Minimising Environmental Footprint
KPIA3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Minimising Environmental Footprint
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Tackling Climate Change
KPIA4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate-Related Financial Disclosures
B. Social		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Governance, Creating a Diverse, Equal and Inclusive Workplace
KPI B1.1	Total workforce by gender, employment type (for example, full – or part-time), age group and geographical region.	Our People, Social Performance Data
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Social Performance Data

Subject Areas, Aspects and KPIs	Description	Sections/References/Remarks
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Governance, Fostering Safety and Wellbeing
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Social Performance Data
KPI B2.2	Lost days due to work injury.	Social Performance Data
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Fostering Safety and Wellbeing
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Nurturing and Developing Talent
KPI B3.1	The percentage of employees trained by gender and employee category (e.g., senior management, middle management).	Social Performance Data
KPI B3.2	The average training hours completed per employee by gender and employee category.	Social Performance Data
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Governance, Upholding Labour Standards and Human Rights
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Upholding Labour Standards and Human Rights In 2022, there were no operations and/or suppliers considered to have significant risk for incidents of child or forced labour.
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Upholding Labour Standards and Human Rights
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Sharing our ESG Values with Suppliers
KPI B5.1	Number of suppliers by geographical region.	Sharing our ESG Values with Suppliers, Social Performance Data
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Sharing our ESG Values with Suppliers
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Sharing our ESG Values with Suppliers
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Sharing our ESG Values with Suppliers

Subject Areas, Aspects and KPIs	Description	Sections/References/Remarks
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Governance, Our Customers, Adhering to Business Standards, Fostering Safety and Wellbeing, Protecting Data Privacy and Security
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Due to the nature of the business, this does not apply to KLN.
KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	Delivering Excellence in Logistics Solutions
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Adhering to Business Standards
KPI B6.4	Description of quality assurance process and recall procedures.	Delivering Excellence in Logistics Solutions; Due to the nature of the business, the recall process does not apply to KLN.
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Protecting Data Privacy and Security
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Governance, Adhering to Business Standards
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Adhering to Business Standards
KPI B7.2	Description of preventive measures and whistleblowing procedures, how they are implemented and monitored.	Adhering to Business Standards
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Adhering to Business Standards KLN provides training on anti-corruption to both Directors and employees. Social Performance Data
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Caring for the Community
KPI B8.1	Focus areas of contribution (e.g., education, environmental concerns, labour needs, health, culture, sport).	Caring for the Community
KPI B8.2	Resources contributed (e.g., money or time) to the focus area.	Caring for the Community Social Performance Data

APPENDICES

GLOBAL REPORTING INITIATIVE CONTENT INDEX

KLN Group has reported the information cited in this GRI content index for the 12-month period ended 31 December 2022 with reference to the GRI Standards.

GRI Standards & Disclosures	Description	Sections/References/Remarks	Page
GRI 1: Foundation 2021			
General Disclosures			
GRI 2: General Disclosures 2021			
The Organization and its Reporting Practices			
2-1	Organizational details	KLN at a Glance	2
2-2	Entities included in the organization's sustainability reporting	About the Report	67
2-3	Reporting period, frequency and contact point	About the Report	67
2-4	Restatements of information	Unless otherwise specified, there is no restatement of information	-
2-5	External assurance	Verification Statement	84
Activities and Workers			
2-6	Activities, value chain and other business relationships	KLN at a Glance	2
2-7	Employees	Our People, Social Performance Data	25-34, 69-71
2-8	Workers who are not employees	Social Performance Data	69
Governance			
2-9	Governance structure and composition	Governance	20-21
2-10	Nomination and selection of the highest governance body	KLN Corporate Website – Nomination Policy, Procedure for Election of Directors	-
2-11	Chair of the highest governance body	KLN Corporate Website – Board of Directors	-

GRI Standards & Disclosures	Description	Sections/References/Remarks	Page
2-12	Role of the highest governance body in overseeing the management of impacts	Governance	20-21
2-13	Delegation of responsibility for managing impacts	About the Report	67
2-14	Role of the highest governance body in sustainability reporting	Governance	20-21
2-15	Conflicts of interest	Annual Report 2022 - Corporate Governance Report	-
2-16	Communication of critical concerns	Governance, Adhering to Business Standards	15-23, 55-57
2-19	Remuneration policies	Annual Report 2022 - Management Discussion and Analysis, Corporate Governance Report, Report of Directors	-
2-20	Process to determine remuneration	Annual Report 2022 - Corporate Governance Report and Report of Directors	-
Strategy, Policies and Practices			
2-22	Statement on sustainable development strategy	Board Statement, Strategy	7, 10-13
2-23	Policy commitments	Risk and Compliance Management	22-23
2-24	Embedding policy commitments	Our People, Our Environment, Our Customers, Our Business Ethics, Our Supply Chain, Our Community	24-66
2-25	Processes to remediate negative impacts	Regulatory Compliance	57
2-26	Mechanisms for seeking advice and raising concerns	Adhering to Business Standards	55-57
2-27	Compliance with laws and regulations	Adhering to Business Standards	55-57
2-28	Membership associations	Clean Cargo of Smart Freight Centre, Sustainable Air Freight Alliance of BSR-US, Corporate Founding Member of Institute of ESG & Benchmark, China International Freight Forwarders Association, Council of Supply Chain Management Professionals, Hong Kong Logistics Association, The Chartered Institute of Logistics and Transport in Hong Kong	-
Stakeholder Engagement			
2-29	Approach to stakeholder engagement	Stakeholder Engagement	15-19
2-30	Collective bargaining agreements	KLN does not have any employees who are bound by any local collective bargaining agreement. KLN respects the right of employees to form associations, organize and bargain collectively in a lawful and peaceful manner, free from punishment or interference.	-

GRI Standards & Disclosures	Description	Sections/References/Remarks	Page
Material Topics			
GRI 3: Material Topics 2021			
3-1	Process to determine material topics	Materiality Assessment	17
3-2	List of material topics	Materiality Results	18-19
Material Topic: Employee Engagement and Care			
GRI 3: Material Topics 2021			
3-3	Management of material topics	Employee Engagement and Care	27
GRI 401: Employment 2016			
401-1	Employee turnover	Social Performance Data	70
Material Topic: Occupational Health and Safety			
GRI 3: Material Topics 2021			
3-3	Management of material topics	Fostering Safety and Wellbeing	27-31
GRI 403: Occupational Health and Safety 2018			
403-1	Occupational health and safety management system	Safety Management System	28-29
403-2	Hazard identification, risk assessment, and incident investigation	Safety Management System, Safety in the Value Chain	28-29
403-3	Occupational health services	Employee Health and Wellbeing	30-31
403-4	Worker participation, consultation, and communication on occupational health and safety	Safety Management System	28-29
403-5	Worker training on occupational health and safety	Training and Awareness Building	29-30
403-6	Promotion of worker health	Employee Health and Wellbeing	30-31
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Upholding Labour Standards and Human Rights	31
403-9	Work-related injuries	Social Performance Data	69-71

GRI Standards & Disclosures	Description	Sections/References/Remarks	Page
Material Topic: Diversity, Equity and Inclusion			
GRI 3: Material Topics 2021			
3-3	Management of material topics	Creating a Diverse, Equal and Inclusive Workplace	32-33
GRI 405: Diversity and Equal Opportunity 2016			
405-1	Diversity of governance bodies and employees	Social Performance Data As at 31 December 2022, there were 11 board members, the percentage breakdown by gender and age group are as follows: – By gender: male (82%), female (18%) – By age group: 30-50 (27%), over 50 (73%)	69-71
GRI 406 Non-discrimination 2016			
406-1	Incidents of discrimination and corrective actions taken	Creating a Diverse, Equal and Inclusive Workplace	32-33
Material Topic: Human Rights and Labour Standards			
GRI 3: Material Topics 2021			
3-3	Management of material topics	Upholding Labour Standards and Human Rights	31
GRI 408: Child Labour 2016			
408-1	Operations and suppliers at significant risk for incidents of child labor	Upholding Labour Standards and Human Rights	31
GRI 409: Forced or Compulsory Labour 2016			
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Upholding Labour Standards and Human Rights	31
Material Topic: Energy Efficiency			
GRI 3: Material Topics 2021			
3-3	Management of material topics	Tackling Climate Change, Energy Efficiency and Renewable Energy	36-41
GRI 302: Energy 2016			
302-1	Energy consumption within the organization	Energy Consumption 2022, Environmental Performance Data	40, 73
302-3	Energy intensity	Energy Consumption 2022, Environmental Performance Data	40, 73

GRI Standards & Disclosures	Description	Sections/References/Remarks	Page
Material Topic: Air Pollution Management			
GRI 3: Material Topics 2021			
3-3	Management of material topics	Minimising Environmental Footprint	46
GRI 305: Emissions 2016			
305-7	Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions	Minimising Environmental Footprint, Environmental Performance Data	46, 72
Material Topic: Anti-corruption			
GRI 3: Material Topics 2021			
3-3	Management of material topics	Adhering to Business Standards	55-56
GRI 205: Anti-corruption 2016			
205-2	Communication and training about anti-corruption policies and procedures	Anti-Corruption Measures	55-56
205-3	Confirmed incidents of corruption and actions taken	Regulatory Compliance	57
Material Topic: Data Security and Privacy			
GRI 3: Material Topics 2021			
3-3	Management of material topics	Protecting Data Privacy and Security	57-58
GRI 418: Customer Privacy 2016			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Tackling Cyber Threats	58
Other Material Topics: Customer Relations and Satisfaction			
GRI 3: Material Topics 2021			
3-3	Management of material topics	Our Customers	51-53
Other Material Topics: Innovative Service and Product			
GRI 3: Material Topics 2021			
3-3	Management of material topics	Boosting Innovation	52-53

VERIFICATION STATEMENT

SCOPE AND OBJECTIVE

Hong Kong Quality Assurance Agency (“HKQAA”) performed a limited assurance engagement on the sustainability disclosures stated in the Sustainability Report 2022 (“the Report”) of Kerry Logistics Network Limited (“KLN”) for the period from 1st January 2022 to 31st December 2022.

The Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (“ESG Reporting Guide”) set out in the Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“SEHK”), and with reference to the Global Reporting Initiative (“GRI”) Universal Standards 2021 (“GRI Universal Standards 2021”) for selected GRI Standards.

HKQAA’s responsibility is to express an assurance conclusion on the completeness, accuracy and reliability of the sustainability data and information stated in the Report. The objectives are to:

- verify the fulfillment in addressing all mandatory disclosure requirements and “comply or explain” provisions outlined in the ESG Reporting Guide;
- review the referencing of the selected GRI Standards of the GRI Universal Standards 2021;

- evaluate the accuracy of the selected data and information presented in the Report; and
- review the reliability of the data and information management mechanism for preparing the Report.

LEVEL OF ASSURANCE AND METHODOLOGY

The process applied in this verification was based on the International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board. Our evidence gathering process was designed to obtain a limited level of assurance as set out in the standard for the purpose of devising the verification conclusion. The extent of this verification process undertaken covered the criteria set in the ESG Reporting Guide and GRI Universal Standards 2021 (Selected GRI Standards).

The verification process included verifying the systems and processes implemented for collecting, collating and reporting the sustainability performance data, reviewing relevant documentation, interviewing responsible personnel with accountability for preparing the reporting contents and verifying selected representative sample of data and information.

INDEPENDENCE

KLN is responsible for the collection and presentation of the information presented. HKQAA is not involved in the collection and calculation of data or the compilation of the reporting contents where HKQAA’s verification activities were entirely independent from KLN. There was no relationship between HKQAA and KLN that would affect the independence of HKQAA for providing the verification service.

CONCLUSION

Based on the verification procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the information and data stated in the Report has not been prepared, in all material aspects, in accordance with the ESG Reporting Guide and with reference to the GRI Universal Standards 2021. The data and information provided for verification is considered reliable and accurate.

Signed on behalf of Hong Kong Quality Assurance Agency



Connie Sham
Head of Audit
April 2023